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1946
ROYAL COMMISSION

**ON
TAXATION**

HEARINGS

HELD AT

**HALIFAX
NOVA, SCOTIA**

VOLUME No.:

DATE:

**33A
BRIEF**

AUG. 8, 1963

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C O P Y

38 Exmouth Street,
Saint John,
New Brunswick,
Canada.

November 11, 1962.

The Secretary,
Royal Commission on Taxation,
P.O. Box 466,
Ottawa, Ontario.

Sir:

IN THE NAME OF CHARITY

(d) the effect of the income, sales and
excise taxes and estate duties on
income and investment flows which
effect the balance of international
payment and economic relations with
other countries;

We must face the facts, the Federal, Provincial
and Municipal Laws opposed to gambling in all its
varied forms have not been too effective to curb
this source of expenditure of dollars, or the
export of Canadian dollars outside of Canada.

Local charities, service clubs, religious
groups, veteran's organizations etc., by-pass these
laws, and by obtaining certificates of exemption
etc., do not pay their share of taxes from giant
bingos, pools, drawings and lotteries etc.

Hundreds of thousands Dollars are placed in
bets at the local race tracks, and millions have
been expressed out of the Country, Overseas and
to the United States, on derby, pool, and sport



1 tickets which one can freely buy in every cigar
2 and barber shop in Canada.

3 Professional gamblers who follow the fair
4 circuits, who are sponsored by service clubs,
5 bleed our citizens of millions each year, all
6 in the name of Charity.

7 We might as well face the facts, gambling
8 in all its varied forms of chance is with us
9 to stay and has become part of our every day
10 life in Canada.

11 Since this is a fact, I would propose that the
12 Federal Excise Tax Act be amended to include a
13 new Act as follows:

14 A SPECIAL EXCISE TAX IN THE NAME OF CHARITY

15 (a) Purpose: The revenue from this Special

16 Charity Tax to be used solely
17 for the purpose of subsidizing
18 the cost of wheat purchases
19 from India and other under-
20 developed countries within
21 the British Commonwealth of
22 Nations.

23 (b) Rate: 50% of Total Gross Proceeds.

24 (c) Exemptions: NIL

25 (d) Coverage: All gambling, games of chance,

26 lotteries drawings Pools, Bets
27 or wagers, parimutuel, private
28 or public bingo, Cards and Dice,
29 Slot Machines or any other
30 paraphernalia using the principle



(d) Coverage: of chance to pay and receive

revenue etc.

(1) That this Royal Commission add its own recommendations to ensure that there are no loopholes for evasion of this act, in its wording or coverage.

(2) That the Civil Servants Tax experts bring in their recommendations for the practical application of the Act.

(e) Amendment: That the Federal Laws be amended to authorize this Special Excise Tax In The Name of Charity.

We tax Liquor, Tobacco, etc., let us tax gambling in all its varied forms, and in the Name of Charity give life with Canadian wheat to thousands who are dying from starvation, within our own Commonwealth of Nations.

Sincerely,

(Signed) John J. Grey.

P.S. The effect of this Special Act on the balance of international payment and economic relations with these other countries would be as they developed, they would turn to Canada, more and more for the purchase of the things they needed, and our Charity will return tenfold.



BRIEF TO COMMISSION ON TAXATION

Subject: Serviceman's Widow's pension and estate tax.

Summary: The widow of a pensionable serviceman finds the pension subject to both estate tax and income tax. This is equivalent to declaring the liquidation of an estate by monthly increments to be income, and subject to income tax. The widow's pension has no properties of an estate, and the assessment of estate tax is an abuse of power as well as definition.

1. Some years ago, while reviewing my insurance with an agent, I became aware that if I died at that time, all my insurance would be liable to estate tax without any tax relief (60,000) because the capitalised value of the service pension to my widow would be high. Also, since it was quite likely that being young she would remarry, she would have to abandon the pension but the estate tax squeezed out by this event would be lost entirely. Since that time, I believe that there is a provision for review of the estate tax collected if the widow dies within four years, but nothing about remarriage. On writing to the Minister of Finance on this subject, I was advised that in addition to assessing estate tax on the pension, the payments were also liable to



- 1 1. income tax. I have not been able to obtain
2 any acknowledgment that there was any
3 inconsistency in an estate being liable to
4 income tax from liquidation of the estate for
5 use as income.
- 6 2. It is obvious that the widow's pension, while
7 an asset has no properties of an estate. It
8 is not negotiable and the asset is confiscated
9 on remarriage or death. Not much of an
10 estate by ordinary definition. On the other
11 hand, it has the same properties as the old
12 age or blind pension, only the qualifications
13 to receive it are different. It is not even
14 comparable to ordinary pensions which have
15 a guaranteed value and to that extent some
16 properties of an estate.
- 17 3. In conclusion:
 - 18 a) The widow's pension has no properties of an
19 estate.
 - 20 b) It is unlawful to assess estate tax where
21 no estate exists.
 - 22 c) The continuance of such practice after it
23 has been drawn to attention constitutes
24 an abuse of power.

25
26 W. L. Orr
27
28
29
30



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

Submission from Mr. Lawrence Sandford
(Clerk-Treasurer for the City of Sydney, N.S.)

MUNICIPAL SOURCES OF REVENUE

I N D E X.

- (1) Municipal Revenues as part of a larger tax picture
- (2) Municipalities' decreasing share of tax revenues
- (3) The psychology of taxation
- (4) Some advantages of the municipal real property tax
- (5) Some disadvantages of the municipal real property
- (6) Other municipal tax revenues, actual and possible:

(a) Personal and business tax

(b) Poll tax

(c) Local income tax

(d) General Sales tax

(e) Selective Sales taxes

(f) Road user taxes

(g) Other taxes

(7) Municipal non-Tax revenues

(8) Grants in lieu of taxes

(9) Grants in aid

(10) Donations

(11) Conclusions and suggested solutions

NOTE: This paper was delivered by Lawrence Sandford,
City Clerk-Treasurer, Sydney, Nova Scotia, to the
21st Refresher Course offered for Municipal Finance
officers by the Department of Municipal Affairs,
Province of Nova Scotia, October 24, 25, 26, 1962,
at the Nova Scotia Hotel, Halifax, N.S.



MUNICIPAL SOURCES OF REVENUE

(1) MUNICIPAL REVENUES AS PART OF A LARGER TAX PICTURE

Our topic is a sprawling subject which, in the words of the Canadian Tax Foundation "Is one that has probably been surveyed more frequently than any other aspect of Government in Canada."

In any consideration of municipal sources of revenue it is worth remembering that they should never be looked at in isolation from sources of revenue at the provincial and federal levels. We must not fall into the error of looking at the parts without reference to the whole. Mr. A.W. Johnson, Deputy Provincial Treasurer of Saskatchewan writing last year in the Journal of the Institute of Public Administration of Canada said this:

"If one is looking at only one level of government, at municipal revenues and expenditures let us say, it is plain that an increase in the costs of education almost inevitably will increase the property tax. Therefore it seems logical either to protest the increase in the school budget or to evade the problem of how the increase should be financed by asking the province to make larger grants. The possibility of increasing particular taxes, for example, the income tax, does not occur to us automatically since these tax fields fall into different compartments - for example, the income tax is federal - provincial tax field." This kind of thinking, which Mr. Johnston refers to as "logical fallacy" is not the kind we will employ today.

We would be quite unrealistic if we did because the individual citizen is affected by taxes in their



1 aggregate, taxes imposed on him by all three levels of
2 government, not just those imposed on him by his local
3 council.

4 To quote a personal example, here is an estimate
5 of some of the taxes which hit me during a three-day
6 visit, by car, from Sydney to Halifax.

7 (1) \$6.00 gasoline tax (Provincial)

8 (2) \$1.50 provincial sales tax on meals
9 (Provincial)

10 (3) \$1.50 two \$.75 toll charges for using
11 the Canso Causeway (Provincial)

12 (4) \$0.10 parking meter payment at New
13 Glasgow (Municipal). Total - \$9.10.

14 These are all immediate cash payments but
15 logically I should also include:

16 (5) \$18.00 income tax, representing income
17 tax on four days' salary (Federal)

18 (6) \$0.75 federal sales tax - this is the
19 proportionate cost to me for four days of
20 the federal sales taxes paid on my car when
21 new (Federal)

22 (7) \$0.60 federal sales tax - this is the
23 proportionate cost to me for four days of
24 the federal sales tax on the material used
25 in building the house I bought last year
26 (Federal)

27 (8) \$5.00 Proportionate cost of annual
28 property tax (Municipal)

29 (9) \$0.25 Passenger car licence - this is
30 the proportionate cost of the annual licence



for four days (Provincial). Total - \$24.60

The grand total of all these federal, provincial and municipal taxes, for four days, is \$33.70, not counting the tax on any liquor I consumed!

(2) MUNICIPALITIES' DIMINISHING SHARE OF TAX REVENUES

The main theme of all the available literature on municipal revenues is that municipalities lack the resources to carry out their ever-expanding responsibilities.

My figures are a little out of date but they will suffice to emphasize the truth of that theme.

In 1957 the total tax revenues of some 4,200 municipal units in Canada were just over one billion dollars. This was about four times the figure of a quarter of a century previously.

In the same year, 1957, the total tax revenues of the ten provincial governments were about 1½ billion dollars. This was twelve times the figure of a quarter of a century previously.

Overshadowing both local and provincial tax revenues in 1957 were the tax revenues of the Federal Government which, at five billion dollars, were eighteen times the figure of a quarter of a century previously.

In those twenty-five years, 1932 to 1957, the tax revenues of the three levels of government rose from 2/3rds of a billion to 7½ billion dollars, and in the same period the municipal share dropped from 40% to 13½%.

It can be argued that even though the municipal share of tax revenues dropped so drastically this does not alter the fact that municipal tax revenues quadrupled



1 over 25 years.

2 In those 25 years, however, the consumer price
3 index doubled. Municipalities, therefore, quadrupled
4 their tax revenues but only doubled their purchasing
5 power.

6 And again in those 25 years, Canada's population
7 increased by 53%. Municipalities' purchasing power
8 doubled but per capita it rose by only 30% - an average
9 annual per capita rate of increase of not much more than
10 1%.

11 Here is another viewpoint. Over roughly the
12 same 25-year period Canada's Gross National Product rose
13 from 4 million to 32 million dollars.

14 When the G.N.P. was 4 million, municipal tax
15 revenues absorbed 6 cents of every dollar. With the
16 G.N.P. at 32 million, municipal tax revenues absorb only
17 3 cents of every dollar.

18 Canadian citizens are not therefore paying
19 proportionately more and more of their incomes on average
20 in municipal taxes. They are paying proportionately less
21 and less.

22 (3) THE PSYCHOLOGY OF TAXATION

23 Why is this so hard to believe? Partly I think
24 because of the very nature of local property taxes and
25 their impact on the individual over a period of years.
26 For, while it is true that taxpayers, as a whole, are
27 paying proportionately less in municipal taxes, it is
28 also true that many individual taxpayers, as they progress
29 through life and acquire more, or more valuable property,
30 find themselves paying proportionately more municipal



1 taxes in relation to income.

2 The single man for instance, living at home
3 with his parents or in a furnished room, may earn
4 \$2,500.00 a year and receive only a \$25.00 poll tax bill
5 -- 1% of his income. Over a period his earnings rise to
6 \$4,000.00 a year. He marries, buys a small house and
7 gets an annual tax bill of \$200.00 -- 5% of his income.

8 His family grows, his earnings rise to
9 \$5,000.00 a year. He is thrifty, sells his small house
10 and buys a bigger one. The municipality rewards his
11 thrift by sending him a tax bill for \$300.00 --- 6% of
12 his income. But is not our young man who has increased
13 his income, married and raised a family, also paying
14 more federal income tax, more federal and provincial
15 sales taxes and so on? If he is, why is it the municipal
16 property tax which meets the most resistance and comes
17 in for the largest measure of criticism?

18 We can think of several answers. His federal
19 income tax on \$5,000.00 a year would be a great deal
20 higher, perhaps 80% higher, than in his single days, at
21 \$2,500.00 a year, but proportionately it is a little
22 less, it has dropped from 10% of his income to 9%.
23 Moreover it is siphoned off in the least painful way --
24 by payroll deductions. Again his income tax increases
25 when he can best afford the increase -- each time his
26 salary takes an upward jump. And he has been able to
27 claim a tax allowance when he needed it most, on marriage
28 and following the birth of each child. Add to this the
29 little gimmick of the Income Tax T1 form which Mr.
30 Taxpayer completes himself. HE claims his allowances,



1 HE tells the Government what he should be paying, and
2 quite often he gets a rebate of overpaid taxes. Take
3 all these things into account and you have a tax which is,
4 to say the least pretty good psychology. It is also a
5 source of 1-3/4 billion dollars annually to the federal
6 treasury, a source, which expands as incomes rise across
7 the nation.

8 Consider now the 11% federal sales tax on most
9 goods manufactured or produced in Canada or imported
10 into Canada. I sometimes wonder how many people know
11 that there is such a tax. Those who don't certainly are
12 not going to complain about it and those who do probably
13 don't know just when and where the tax hits them. Yet
14 this tax derives roughly as much revenue for the federal
15 government as do all the tax revenues from all types of
16 tax of every municipality in Canada. The Sales Tax rate
17 has been increased only twice in the past sixteen years,
18 from 8% in 1936 to 10% in 1951 and 11% in 1959. But
19 revenues rose from 116 million dollars in 1936 to 1,024
20 million dollars in 1960.

21 Consider, too, the provincial retail sales
22 taxes. Taxpayer acceptance seems to be well established
23 now, even though the mark-up is indicated each time a
24 purchase is made. In Nova Scotia the fact that it is a
25 Hospital Tax and hospitalization is now "free", as the
26 saying goes, is a further factor in its acceptance.

27 The municipal property tax enjoys none of the
28 psychological advantages of these other taxes. It is
29 not a pay-as-you-earn tax, it is not a pay-as-you-
30 purchase tax, it is a tax on assets, payable, in most



1 cases, in one lump sum annually.

2 In so far as the property tax is a tax to
3 provide monies for expenditures which benefit property
4 it is a legitimate charge against property. In so far
5 as it is a tax to provide monies for other purposes it
6 penalizes the ownership of property.

7 You can have your children educated at a very
8 low cost to yourself if you live with your in-laws or
9 rent or purchase a home with a very low assessment. But
10 give your family a good home and you pay the property
11 tax penalty as surely as if you were hauled into court
12 and fined heavily for being such a solid citizen.

13 It is sometimes claimed that the property tax
14 is basically equitable because it is a rough-and-ready
15 ability to pay tax. For the vast majority of our
16 taxpayers I suggest it is nothing of the kind. It is an
17 assets tax, not an income tax, it costs you more if you
18 have lived up to your family responsibilities than if
19 you haven't. It can however have some ability to pay
20 elements incorporated into it, for example when councils
21 introduce tax exemptions or partial exemptions for
22 widows or pensioners with moderate incomes or for farmers
23 or fishermen whose incomes are usually small. To the
24 extent that this is done it is less and less a property
25 tax.

26 (4) SOME ADVANTAGES OF THE MUNICIPAL REAL PROPERTY TAX

27 Does the municipal property tax have any
28 natural advantages? It must have, otherwise it would not
29 have survived the centuries since the days of Elizabeth
30 the First.



1 It is not too expensive to assess and collect.
2 In Sydney, for example our assessment and tax collection
3 operations cost about 1-1/4% of our tax revenues. It is
4 not open to evasion in any significant way. The property
5 is there for all to see. You cannot smuggle it through
6 the customs, the owner is usually traceable and there is
7 always the tax lien list. To the extent that the
8 services provided from tax revenues benefit property it
9 is also a fairly apportioned tax. The more valuable
10 properties pay more because, on average, they benefit
11 more.

12 (5) SOME DISADVANTAGES OF THE MUNICIPAL REAL PROPERTY TAX

13 What are the disadvantages? We have discussed
14 the poor psychology. We have mentioned the penalty on
15 homeownership. There are others.

16 One disadvantage about which something can
17 easily be done is the lump sum nature of the tax. This
18 is not perhaps as serious as it first seems because many
19 councils do in fact accept part payments of taxes. But
20 why not systematize and formalize the procedure and
21 thereby improve relations with taxpayers AND improve tax
22 collections?

23 In a circular letter of July 19th this year
24 the Deputy Minister of Municipal Affairs, Province of
25 Nova Scotia, pointed out that Sections 84 and 97 of the
26 Assessment Act authorized rural municipalities and towns
27 respectively to provide for the payment of taxes on the
28 instalment plan.

29 The Deputy Minister said "For many persons the
30 instalment plan has become the common practice for the



1 payment of bills and the purchase of goods. Municipal
2 taxes are sometimes fairly substantial. Those persons
3 who prefer the instalment plan may well feel that the
4 plan would make payment easier, consequently collections
5 might be improved."

6 One often hears objections to the tax instal-
7 ment plan. But it has been tried and it works well.
8 Contrary to general belief it does not involve a great
9 deal of extra office work. It is a common experience
10 that not more than 15% to 20% of taxpayers will choose
11 to use the plan. But these will be precisely the ones
12 who find payment in one lump sum a hardship. A
13 municipality can make taxes payable in any number of
14 instalments up to twelve. There is no need to issue
15 several tax bills, one for each instalment, but it will
16 be necessary to issue a receipt for each instalment
17 payment. One suggested practice is to issue each
18 instalment taxpayer with a small folded card with a
19 pocket in it. The card will have the rules of the game
20 printed on it. The taxpayer can then insert his receipts
21 in the pocket of the card as he gets them, if he so
22 wishes.

23 Where there are twelve instalments, payable
24 by the last day of each month, this is the ideal because
25 the payments are broken down into quite small amounts.
26 There is nothing to prevent an instalment taxpayer
27 paying one or more instalments in advance if he wishes,
28 but if he needs on the other. The winds of change we
29 are told again and again are blowing hard and strong
30 in many parts of our modern world.



1 There are those who say that we in Canada cannot
2 afford to tolerate much longer an educational system
3 which is held back by a too heavy reliance on the wrong
4 kind of tax.

5 The problems of education finance, it is
6 suggested are very much more than problems simply of
7 passing the buck from one level of government to another.
8 They are problems of using the means of financing which
9 are best calculated to meet our national educational
10 requirements.

11 And while Canada has poorer provinces and
12 richer provinces, provinces with struggling economies and
13 provinces with buoyant economies, is the best that the
14 poorer provinces with limited resources can do really
15 good enough?

16 It can be argued that the injustice of burden-
17 ing property taxes with a large share of educational
18 costs and expecting the province to pick up the tag for
19 the balance is even more an injustice to our children
20 and to our nation and its educational needs.

21 To a much lesser degree, but on the same
22 principles of equity in taxation and the over-riding
23 national interest, should not social welfare also be
24 considered as a matter of federal concern and federal
25 financing? Irrespective of who provides the main revenues
26 we may all agree that local control of education subject
27 to provincial supervision as to curricula, teaching
28 standards etc remains probably the best form of
29 administration, and this probably means, in turn, that
30 say 5% or 10%, or a small portion of over-all costs,



1 should continue to be borne locally. With social
2 welfare, particularly social assistance, however, it is
3 often suggested, and with some logic, that all of the
4 control and all of the financing should be vested in a
5 federal government department, in the same way for
6 example as with local employment and unemployment
7 insurance offices.

8 The last and perhaps most widely discussed
9 disadvantage of the municipal real property tax, and this
10 is the other side of the coin of education and welfare
11 financing, is its narrow base, its inelasticity, and
12 its patent inability to provide the revenues needed by
13 municipalities to perform their functions and to carry
14 out their responsibilities with any degree of adequacy.
15 We patch up, we make do, we progress a little here, we
16 fall behind there. And when a crisis hits us, in
17 Springhill, New Waterford or Dominion we become wise too
18 late and we go to Halifax or Ottawa for aid. As
19 Aeschylus the Greek dramatist of 500 B.C. once wrote
20 "Man grows wiser against his will."

21 Theoretically it is always possible to raise
22 property tax rates. Practical economies and practical
23 politics do not support the theory. In practice, as
24 we know, tax rates falls behind in any month he loses
25 all the interest or discount privileges he may have
26 been given. He is no longer an instalment taxpayer for
27 that year. With twelve months instalments from January
28 to December all those payable before the tax rate is
29 struck will be based on the previous year's tax rate.
30 The remainder will then be sufficient in amount just to



1 make up the balance of taxes for the current year. The
2 twelve-instalment plan has the additional merit that
3 tax payments begin coming in in January. Taxpayers
4 would be permitted to join the plan only if their
5 previous year's taxes were fully paid.

6 Interest-penalties for late payment and
7 discounts for prompt payment, I suggest, present no
8 special problem. Interest-wise, taxes paid in twelve
9 instalments on the last day of each month are the same
10 as taxes paid in one lump sum in mid-July.

11 A further disadvantage of the real property tax,
12 is that after a point it tends to be restrictive on
13 property development in a community. A homeowner who
14 is paying \$300.00 a year in taxes and \$600.00 a year in
15 mortgage repayments could, logically, if his taxes were
16 only \$150.00 a year, afford a \$750.00 a year mortgage
17 and hence a 25% better home. Similarly as we all know
18 property taxes, when they get out of line, tend to be
19 restrictive on commercial and industrial development in
20 the area.

21 So far as home-owners are concerned this
22 disadvantage would be diminished to some extent if the
23 federal government were to permit the interest paid on
24 mortgages on owner-occupied homes to be claimed as an
25 allowance for income tax purposes. This is the practice
26 in the United Kingdom, for example, but in Canada it is
27 only owners of homes which are rented out who can claim
28 the allowance.

29 The inequity of a tax on property insofar as
30 the revenues derived from it do not benefit property has



1 already been mentioned. To develop this point, we can
2 see on the one hand a number of local services, police,
3 fire, street and road maintenance and construction,
4 sewers, water supply, electricity supply, sidewalks,
5 public works generally, garbage collection etc, which
6 quite clearly benefit property and which should therefore
7 be the subject of user charges or property taxation.
8 We can see others, education, welfare, libraries and so
9 on which only indirectly, if at all, can be said to
10 benefit property.

11 Many years ago in Britain some of the first
12 public schools were financed from a tax on whiskey.
13 The more whiskey consumed the more schools were con-
14 structed. At that time, I imagine, those who questioned
15 the relevance of the consumption of whiskey to the
16 provision of educational facilities were considered a
17 little radical.

18 I suggest that we, in 1962, should take a very
19 radical look at the contradiction of a narrow property
20 tax base on the one hand, and our nation's expanding
21 educational can be raised, but not too drastically or
22 too often. It is true too, that as a community expands
23 so do its tax revenues. But, unless the expansion is
24 heavily industrial, the added needs are invariably well
25 beyond the added revenues.

26 (6) OTHER MUNICIPAL TAX REVENUES

27 Property taxes aside, what other sources of
28 revenue are available to municipalities?

29 Referring again to the year 1957, municipal
30 revenues across Canada were derived 72% from property



taxes; 4.4% from Sales taxes -- all in Quebec I believe -- 9.3% from non-property taxes; 5.1% from federal and provincial grants (excluding provincial grants for education) and 9.2% from user charges, fines fees etc.

(A) MUNICIPAL PERSONAL AND BUSINESS TAXES

In Nova Scotia, in common with Prince Edward Island, New Brunswick and Manitoba we have the personal property tax in addition to the realty tax. One alternative to the personal property tax on commercial and industrial property is the business tax. The form of business tax in operation in Ontario seems to have some disadvantages. Businesses in Ontario pay the normal realty tax based on realty assessment and, in addition, pay a business tax based on a percentage of realty assessment according to the type of business. The percentage varies from 10% for supervised car parks to 150% for distillers. The weakness lies in the arbitrary nature of the various percentages. In British Columbia, Alberta, Manitoba and the cities and towns of Quebec, business tax is based on rental value, actual rents not necessarily being used. In Saskatchewan the area of premises occupied for business purposes is the basis, and in some towns and villages in Alberta storage capacity is the measure for the business assessment of grain and coal dealers and gasoline and oil distributors.

Across Canada one finds that municipalities usually employ either business tax or personal property tax but not both.



1 (B) POLL TAX

2 Poll taxes are rarely found in the central and
3 western parts of Canada these days, where according to
4 the Canadian Tax Foundation they are regarded almost as
5 an oddity and more of a nuisance tax than a revenue
6 producer.

7 In the Maritimes we are all only too familiar
8 with poll taxes. They accounted for 8.6% of all local tax
9 revenues in New Brunswick in 1958 and 3.4% in Nova Scotia.
10 I personally have doubts about their value. They are
11 certainly very expensive to collect.

12 Almost all taxes which are not simply user
13 charges or licences or permit fees are taxes assessed
14 according to income, taxes on sales or taxes on assets.

15 Municipalities are already taxing assets
16 heavily so if any other substantial revenues are to be
17 obtained they must be derived from taxes on income whether
18 personal or corporate or taxes on sales. The major
19 difficulty with these two revenue sources is that the
20 federal and provincial governments are pretty well
21 established in these areas and probably will not be very
22 receptive to suggestions of competition from the
23 municipalities. This should not altogether deter us
24 though if our cause is a just one.

25 (C) LOCAL INCOME TAX

26 Local income taxes were out of the question for
27 some years because of the Wartime Dominion-Provincial tax
28 rental agreements. But when these were somewhat
29 arbitrarily brought to an end recently and each province
30 was left to fend for himself (with Ottawa continuing to



1 do the collecting for the provinces if they so wished)
2 local income taxes once again became at least a theoretic-
3 cal possibility.

4 Local income taxes are quite common in parts
5 of the United States. Philadelphia and Washington D.C.
6 introduced them in 1939. Today a number of cities in
7 Pennsylvania, Ohio, Kentucky and Missouri have them.
8 Usually they are a flat-rate one per cent of income.
9 Such a tax in Sydney for example would bring in about
10 \$500,000 annually. We still appear to have a provision
11 in our City Charter permitting the levying of a local
12 income tax. Maybe we could start something!

13 Most students of municipal finance would
14 hesitate to suggest that in the over-all picture local
15 income taxes would be a good thing. The revenue from them
16 would be a little difficult to budget for accurately,
17 though that is not an insuperable objection. Assessment
18 and collection would be a major difficulty unless
19 performed on behalf of municipalities at provincial level.
20 And provincial governments at present do not seem too
21 enthusiastic about collecting even their own income taxes.
22 It is contended too that the taxation of income can be
23 pushed to the point where it seriously reduces economic
24 incentive. Sales taxes, for example, do not have this
25 weakness to anything like the same extent.

26 (D) GENERAL SALES TAX

27 There are many who believe that local sales
28 taxes are commendable provided they are standard through-
29 out a province and are levied and collected on behalf of
30 municipalities by the provincial government. This is



1 precisely the same thing as saying that the provincial
2 government should increase its retail sales tax and
3 distribute the increased revenues to municipalities
4 according to the sales tax collections within the bound-
5 aries of each municipal unit. On average, for example,
6 an additional one per cent on the provincial sales tax
7 in Nova Scotia would bring in about \$4.00 per person per
8 year.

9 From the standpoint of the provincial govern-
10 ment there are certain objections to this suggestion.
11 The provincial government might feel that there is an
12 upper limit to the percentage rate that can safely be
13 used for retail sales tax purposes -- a limit determined
14 by what might be called purchaser resistance, with the
15 economic law of diminishing returns coming into play.
16 There are other possibly sound economic arguments too
17 against going too high with a sales tax. Hence a
18 provincial government, if it has a 5% retail sales tax
19 already and considers that 6% is the practical limit for
20 the next few years at least, might be most unwilling to
21 give up that extra 1% to municipalities, thereby
22 depriving itself of the possibility of raising the tax
23 for its own purposes except at some unforeseeable date in
24 the future.

25 However, it depends how one look at the problem.
26 Could it not be said, for example, that one of the prime
27 purposes of a provincial government is, to enable the
28 municipalities to obtain needed revenue.

29 And, further when we suggest that 6% is the
30 practical upper limit are we not forgetting that



1 substantial sales tax revenues for municipalities would
2 permit a reduction of property taxes, or at least would
3 make possible some stabilization of property tax rates.
4 Hence, as incomes and purchasing power increased-- if
5 they did -- the upper limit might prove to be substanti-
6 ally higher than 6%.

7 As with income tax it would be almost incredibly
8 difficult to levy and collect sales taxes at the local
9 municipal level. Provincial collection appears to be a
10 "must". And there are fairly obvious economic dis-
11 advantages to having a variety of local retail sales tax
12 rates across a province. Annual revenues would also
13 present some budgetting problems, although, again, this
14 is not an insuperable difficulty.

15 Municipal retail sales taxes seem to operate
16 fairly smoothly in the province of Quebec where there
17 is a historical distaste for property taxation. One
18 important advantage of the sales tax is that like income
19 tax it is elastic and brings in greater revenues as
20 personal incomes rise.

21 It is quite often claimed that a general retail
22 sales tax is a regressive tax, the poorer person having
23 to pay the same tax as the wealthier person. This
24 objection has been largely overcome, though, in the
25 present retail sales number of items such as food,
26 children's clothing, medicines, domestic fuels and so on.

27 (E) SELECTIVE SALES TAXES

28 Selective forms of municipal sales tax present
29 another revenue possibility, though the revenues to be
30 derived from them are necessarily smaller. Perhaps the



1 best example is a municipal amusements tax, although
2 with movie theatres on the down grade these days they no
3 longer seem to present a potential source of extra
4 revenue. Taxes on bowling alleys, circuses and horse
5 racing might be more fruitful.

6 (F) ROAD USER TAXES

7 Another possible local tax is one related to
8 road user. Why should property bear all or most of the
9 burden of constructing city streets, for example, which
10 are largely there for the benefit of motor vehicle
11 operators? In the old days this would have been a tax
12 on horses and hay. Today a municipal motor vehicle or
13 driver's licence tax, or even a municipal gasoline tax,
14 would be more appropriate. An additional one cent on
15 the gasoline tax in Nova Scotia would bring in one
16 million dollars across the province. One major
17 objection is that Nova Scotia's 19 cent gasoline tax is
18 already higher than most. Once again, too, municipali-
19 ties would be encroaching into a provincial tax field
20 if the provincial government permitted this. I don't
21 think we would get very far with this suggested tax in
22 Nova Scotia where the provincial government is not at
23 present obtaining sufficient revenue from its various
24 road user charges to cover its own highways expenditures.
25 For roads I believe the Province's budgetted 1962 road
26 user tax revenues are \$26 million dollars against
27 budgetted expenditures of \$30 million dollars.

28 (G) OTHER TAXES

29 We have by now covered the major municipal
30 tax revenue possibilities. There are innumerable minor



ones, most of them already in use, or attracting only small revenues.

Examples are: taxes on automatic vending machines, juke boxes, laundromats and the like; taxes on utilities such as electricity, gas, water, telephone; a deed transfer tax such as was introduced in Halifax in 1959. This tax, I believe, gives the City 1/2% to 1% of the value of any property transferred and is well worth consideration by other municipalities. Franchise taxes, on local bus companies, are, it seems, a thing of the past. Bus companies don't make profits any more.

(7) MUNICIPAL NON-TAX REVENUES

Non tax revenues from permits and licences do not amount to very much in Nova Scotia -- less than 1% of total municipal revenues. A closer look at some of them might suggest that the fee should either be increased or abolished as not worth collecting.

User fees are a further example of non-tax revenues. Parking meter charges and charges for off-street parking facilities could be mentioned. In Sydney our gross annual revenue from parking meters is a little over \$20,000. All our meters have been fully paid for out of revenue and beginning this year our net parking meter income is being paid into a fund to finance the provision of off-street parking facilities.

Garbage collection charges are common in some areas. Other municipalities prefer to finance garbage collection from the tax levy.

User charges for water supply are well-known and are more equitable when water is metered. In some



1 municipalities in North America, sewerage charges are
2 also levied on a user basis, the charge usually being
3 related to or added to the water bill on the principle
4 that what goes into a property through the water pipe
5 must come out through the domestic sewer pipe.

6 Charges for local improvements -- sewers, curb
7 and gutter and concrete sidewalks are usually levied on
8 a foot-frontage basis, a portion of the cost being
9 recovered from frontagers and the balance from all
10 properties in the general tax levy. It can be argued
11 that where new subdivisions are springing up on the outer
12 fringes of an urban community and taxes go up because
13 the tax rate bears part of the cost of improvements in
14 the new subdivision, this is inequitable. One
15 recommended solution, applied recently in the City of
16 Ottawa, is for council to require subdividers to install
17 the local improvements and the paved roads themselves.
18 The building contractor then passes on the cost to
19 purchasers in the price of the houses.

20 (8) GRANTS IN LIEU OF TAXES

21 Federal and provincial grants and payments in
22 lieu of taxes are a further source of revenue to
23 municipalities.

24 Provincial acceptance of the principle of
25 paying grants in lieu of taxes on provincially-owned
26 property has not been widespread in Canada.

27 The Nova Scotia Government does not pay such
28 grants although this year it created a welcome precedent
29 by paying what might be called a partial grant in lieu
30 of taxes in recognition of the value to provincially-



1 owned buildings of municipal fire departments. The Nova
2 Scotia Power Commission pays taxes on land and private
3 dwellings in municipal areas, the taxes being based on
4 the municipal assessment. The Nova Scotia Liquor
5 Commission pays taxes according to its own formula.

6 Federal grants in lieu of taxes were introduced
7 in 1950. Since 1957 the federal government has, under
8 the Municipal Grants Act, paid the equivalent of full
9 property taxes on most federal properties. Crown
10 Corporations are not subject to the Municipal Grants Act
11 but most of them, such as the CNR make payments. Sydney
12 has recently signed a 5-year 1962-1966 agreement with the
13 CNR which gives the City \$14,000^{4,000} a year in lieu of taxes.
14 Our 1961 grant was some \$9,300.

15 (9) GRANTS IN AID

16 I think that most of you will be better in-
17 formed than I am regarding provincial grants to
18 municipalities in Nova Scotia. The education foundation
19 grant, based on an ability-to-pay formula will be well-
20 known to you all. You will no doubt have read the
21 recent report of the Committee headed by Dr. H. P. Moffat,
22 Deputy Minister of Education, Province of Nova Scotia,
23 which is scheduled for discussion at a meeting of the
24 Union of Nova Scotia Municipalities in Halifax next week.
25 The proposed new foundation scales are quite substantially
26 upgraded as regards teachers salaries and school
27 building maintenance. A grant towards the cost of class-
28 room supplies is included for the first time.

29 The provincial government is also shouldering
30 a large part of the burden of vocational education.



1 The new Cape Breton Vocational School in Sydney is
2 financed 100% by the province as to the building and
3 furnishings, and 60% as to operation and maintenance.

4 Hospitals in the province receive a 100% grant
5 towards approved operating costs and a further grant
6 towards an equipment depreciation fund. Approximately
7 one half of the hospital grant is derived by the
8 province from a federal subvention and the other half
9 from the 5% retail sales tax.

10 Social assistance is 50% grant-aided as to
11 expenses of administration and 66 2/3% as to relief
12 payments, the province adding 16 2/3% to the federal
13 50%. In Ontario, municipalities receive an 80% grant
14 for relief payments.

15 Other provincial grants relate to winter works
16 and highways and there is also an unconditional grant.

17 Grants are obtainable from provincial and
18 federal governments in respect of certain capital projects,
19 for example for highway approaches and overpasses from
20 the province; and for sewerage and sewage disposal
21 projects and the elimination of railway level crossings
22 from the federal government. Sydney will begin con-
23 structing a \$1,100,000 overpass early in the new year
24 at a net cost to the City of some \$150,000, the balance
25 having been obtained largely from federal and provincial
26 grants.

27 (10) DONATIONS

28 A final municipal revenue source is donations
29 from public spirited businesses and individuals. Sydney
30 has been most fortunate in this respect in recent years.



1 Our new library was the gift of a former mayor, Mr. James
2 McConnell. The Dominion Steel and Coal Company recently
3 donated the funds required to purchase land for the new
4 vocational school and made a similar donation in respect
5 of a large fully landscaped new playground on Prince
6 Street, Sydney. The Kiwanis Club also contributed to the
7 cost of our new bandshell. From memory the total value
8 of these four recent donations approached \$400,000.

9 (11) CONCLUSIONS AND SUGGESTED SOLUTIONS

10 This completes our review of municipal sources
11 of revenue.

12 Can we draw some conclusions?

13 I would suggest the following for your serious
14 consideration.

15 (1) Municipal property taxes are equitable insofar
16 as they are used to provide services which directly
17 benefit property.

18 (2) They are inequitable to the extent that they
19 are used to provide services such as education and social
20 welfare which do not directly benefit property.

21 (3) The only other possible major sources of
22 municipal tax revenue are local income taxes and local
23 sales taxes, but it seems very doubtful whether
24 municipalities will be allowed to advance very far in
25 either of these tax fields.

26 (4) If education were almost entirely grant-aided
27 and if social welfare were no longer a municipal
28 responsibility the present tax revenue sources of
29 municipal units would be more than sufficient, generally
30 speaking, to provide and develop all those municipal



1 services which benefit property and thus build better
2 communities.

3 (5) But it would be inequitable for all provincial
4 governments to have to bear nearly all the cost of
5 education or to take over social welfare services
6 because some provinces have far greater financial re-
7 sources than others. It would not be in the national
8 interest for educational opportunities or welfare ser-
9 vices to vary widely across Canada.

10 (6) The answer to these problems -- the inadequacy
11 of municipal revenues, the injustice of a property tax
12 used to provide services which do not directly benefit
13 property, and the nation's needs in the fields of
14 education and social assistance first, in the channelling
15 by the federal government of monies to the provincial
16 governments according to their needs, to enable them to
17 finance a very much larger part of the cost of
18 education and second in federal assumption of the
19 administration and financing of social welfare.

20 The total cost to the federal government
21 would perhaps be equivalent, for example, to 3, 4, or at
22 the most 5 cents of the federal sales tax or to some-
23 where between 5 and 8 percent of the total federal
24 budget. The federal government could assume this burden
25 gradually over a period of years. This would probably
26 mean that municipal property taxes would not go down,
27 or would not go down very much over the same period.
28 The present trend towards higher property taxes should,
29 however, be halted.

30 The total gain in the progressive, healthy



1 development of our cities, towns and rural communities
2 would I suggest be very significant indeed. The benefit
3 to education across Canada and in the Atlantic Provinces
4 in particular would be beyond measure.

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SUMMARY OF SUBMISSION
OF THE CITY COUNCIL OF THE
CITY OF SYDNEY, N.S.

THE CITY COUNCIL OF THE CITY OF SYDNEY SUBMITS:

- (1) That property taxation in all cities, towns and rural municipalities in Nova Scotia rose from \$10,690,000. in 1946 to \$38,330,000. in 1961, an increase of 259%;
- (2) That during the same period, the population of Nova Scotia rose from 578,000 to 737,000, an increase of 27%;
- (3) That property taxation per capita rose from \$18.50 in 1946, to 51.97 in 1961, an increase of 181% which is due almost entirely to rising education costs;
- (4) That local property tax levels in Nova Scotia today are unduly restrictive on the development of industrial, commercial and residential property and are harshly burdensome on most widows, pensioners and other persons with fixed low incomes;
- (5) That elementary and secondary education costs, including debt charges, absorbed over 50% of the property tax revenues of municipal units in Nova Scotia in 1961;
- (6) That the use of the property tax to finance the major portion of the cost of elementary and secondary education constitutes an injustice of major significance to the nation's educational needs, to property tax-payers and to local communities.



1 Wide disparities in revenue resources as between
2 one province and another have resulted in signi-
3 ficant inequalities in elementary and secondary
4 education facilities and in the burden of education
5 costs on property tax-payers across Canada.

6 THE CITY COUNCIL OF THE CITY OF SYDNEY PROPOSES:

- 7 (1) That the Federal Government accept the principle
8 that the sound financing of elementary and secondary
9 education is at least as much a matter of national
10 concern as it is of provincial and local concern;
11 (2) That as a matter of urgency the Federal Government
12 make a beginning by allotting a portion of its re-
13 venue to provincial governments, on an ability to
14 pay basis, to enable those governments to increase
15 their grants to local school boards. Further that
16 the sums so allotted be increased from time to time
17 to meet reasonable provincial needs, not withstand-
18 ing that this may involve adjustments in rates of
19 federal taxation;
20 (3) That the Income Tax Act be amended to permit home-
21 owners to claim all, or a substantial fraction, of
22 property taxes and mortgage interest as deductible
23 expenses, and that the resulting reduction in fed-
24 eral income tax revenues be made good by adjustments
25 in federal income tax rates.

26 In support of its proposals, City Council sub-
27 mits the attached tables "A", "B" and "C" showing revenues
28 expenditures of cities, towns and rural municipalities in
29 Nova Scotia for the years 1946, 1951, 1956 and 1961.
30 These tables have been compiled from the Annual Reports



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1 of the Department of Municipal Affairs, Province of
2 Nova Scotia.

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PART I - PROPERTY TAX REVENUES AND EDUCATION COSTS

IN NOVA SCOTIA

The Province of Nova Scotia is organized for local government purposes into 3 cities, 39 towns and 24 rural municipalities, the City of Dartmouth having recently been elevated from town to City status.

In 1961, 346,000 persons in Nova Scotia, comprising 47% of the Province's total population lived in cities and towns, and 391,000 persons, comprising 53% of the population lived in rural municipalities.

In the cities and towns, in 1961, total property taxation revenues were \$25,700,000. Local elementary and secondary education costs, including debt charges borne by property taxation revenues were approximately \$11,900,000. Local education costs, including debt charges borne by provincial grants were approximately \$4,800,000.

In the rural municipalities in 1961, total property taxation revenues were \$12,600,000. Local elementary and secondary education costs, including debt charges borne by property taxation were approximately \$7,700,000. Local education costs, including debt charges, borne by provincial grants were approximately \$12,700,000.

Taking cities, towns and rural municipalities together, total 1961 taxation revenues were \$38,300,000. and total local elementary and secondary education costs, including debt charges, were approximately \$37,100,000. of which \$19,600,000. was borne by property tax-payers and \$17,500,000. by the provincial government by way of grant. Other provincial government expenditures not made by way of direct grant are not included in these figures.



The overall picture from 1946 to 1961 is approximately as follows for all 66 Nova Scotia cities, towns and rural municipalities combined -

	<u>1946</u>	<u>1961</u>
Taxation Revenues	\$10,690,000	\$38,300,000
Net Local Education Costs		
(including net debt charges)	4,300,000	19,600,000
% of Net Local Education Costs		
to total Taxation Revenues	40%	51%

NOTE: The above figures are as shown in Table "C" but with approximate adjustments to allow for the fact that \$2,700,113 of the total of \$4,663,662. debt charges shown in Table "C" is met by provincial grant.

Allowing for a 27% population increase, from 578,000 in 1946 to 737,000 in 1961 the per capita property tax burdens in those two years are -

	<u>1946</u>	<u>1961</u>
Property Taxation per Capita	<u>\$18.50</u>	<u>\$51.97</u>
Of which (a) net education expenditure including net debt charges	7.44	26.59
(b) All other tax-borne expenditures	11.06	25.38

The average 1961 property taxpayer in Nova Scotia was paying 3.6 times as much for education as in 1946 and 2.3 times as much for all other local services.

Average weekly wages and salaries in Nova Scotia in 1961 were 2.1 times the 1946 level. (Dominion Bureau of Statistics figures).

This summary, it is submitted, establishes



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1 clearly that rising costs of elementary and secondary
2 education have caused property tax levels to move rapidly
3 ahead of income levels in Nova Scotia in the post war
4 years. Municipal units in Nova Scotia are consequently
5 unable to provide adequate local services because rising
6 education costs force drastic restrictions of other
7 services in order to keep property taxes from rising to
8 completely unacceptable levels.

9 This is not to say that municipal units in
10 Nova Scotia are, today, able to provide reasonably
11 adequate educational facilities, even with restrictions
12 of other services and with the aid of provincial educa-
13 tion grants. On the contrary, the urgent social need
14 throughout Nova Scotia at the present time is for monies
15 to construct, maintain and staff sufficient elementary
16 and secondary schools at levels of reasonable adequacy.



1 PART II - THE MAJOR WEAKNESSES OF LOCAL PROPERTY TAXATION

2 TODAY

3 The City Council of the City of Sydney does not
4 contend that property taxation is unjust in principle. A
5 good case can be made for it, particularly when it is
6 regarded as part of the over-all pattern of federal/pro-
7 vincial/municipal taxation.

8 Today, however, property taxation is open to
9 serious criticism in five important respects -

- 10 (1) It is rising much faster than incomes. In Nova
11 Scotia property taxation per capita were, in 1961
12 2.8 times their 1946 levels whereas incomes had
13 doubled since 1946. Hence, the regressive nature
14 of property taxation is being more and more keenly
15 felt.
- 16 (2) It has reached a level where it is unduly restrictive
17 on and discourages the development of industrial,
18 commercial and residential property. In most Nova
19 Scotia communities new industry can be encouraged
20 into the community only, if at all, by substantial
21 property tax concessions. In Sydney property tax
22 concessions have had to be granted to Sydney's manor
23 industry, the Dominion Steel & Coal Corp., even
24 though the Dominion Steel & Coal Company has been
25 in Sydney for almost sixty years.
- 26 (3) It is harshly burdensome on that large section of
27 the population with low fixed incomes. Most widows
28 and persons over 65 years are in this class. In
29 Sydney between 20% and 25% of the adult population
30 are widows or persons over 65.



1 (4) Because more than 50% of property tax revenues in
2 Nova Scotia are required for education purposes,
3 municipal units are unable to provide other essen-
4 tial tax-borne services with reasonable adequacy.
5 What local community would not increase its social
6 welfare payments, grant relief to taxpayers with
7 fixed low incomes, improve its fire and police forces
8 its sewerage, sanitation and waste removal facilities
9 its roads and streets, its recreational, cultural
10 and community service activities, its hospital
11 buildings and health services, if only a larger
12 proportion of property tax revenues, could be chan-
13 nelled into those fields of local need?

14 (5) Insofar as the property tax is utilized to meet the
15 major part of the cost of elementary and secondary
16 education it is the wrong tax. It does not provide
17 sufficient revenues for the purpose, even when those
18 revenues are supplemented by provincial grants. It
19 is inequitable because it is based on property owner-
20 ship, whereas education should be financed on an
21 ability to pay basis.
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1 PART III - THE IMPACT OF PROPERTY TAXATION ON PERSONS WITH

2 LOW FIXED INCOMES

3 It is sometimes too readily assumed that pro-
4 perty taxation has some fairly close relationship to
5 ability to pay. This may have been true at the time of
6 Confederation when the assets of well-to-do persons were
7 in the form of property, not paper securities. But today
8 the case is quite different. Many widows, pensioners,
9 and others with low fixed incomes are living in properties
10 which were acquired in better days when the head of the
11 family was working, other members of the family were con-
12 tributing to the family income, and property taxes were a
13 third or a quarter of what they are today.

14 Can an elderly couple living on one Old Age
15 Security Pension of \$65.00 monthly really afford to pay
16 \$100.00 or \$200.00 annually in property taxation? So far
17 as they are concerned, is not every additional few cents
18 on the tax rate another turn of the screw? And if it be
19 said that they should face the inevitable and sell up the
20 home they struggled for years to own, where else should
21 they go?

22 Many Councils in Nova Scotia grant some measure
23 of relief to some property taxpayers with very low fixed
24 incomes. No Council can afford to grant substantial
25 relief to all property taxpayers with very low fixed in-
26 comes. The burden on other taxpayers would be too heavy.

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1 PART IV - THE THREE INJUSTICES OF PRESENT METHODS OF
2 FINANCING ELEMENTARY AND SECONDARY EDUCATION

3 (a) THE INJUSTICE TO EDUCATION

4 As has been shown, well over 50% of local pro-
5 perty taxation revenues throughout Nova Scotia were, in
6 1961, used to finance elementary and secondary education
7 facilities. Total property taxation revenues for education
8 purposes were \$19,000,000. This sum had to be supplemen-
9 ted by a further \$17,500,000 from the provincial govern-
10 ment. There is not a city, town or rural municipality in
11 the province which will claim that the educational facili-
12 ties it provides are reasonably adequate. Many schools
13 were constructed before the turn of the century and many
14 more before the first world war. The City of Sydney re-
15 cently completed the largest school construction program
16 in the City's history, yet twelve of the city's twenty-
17 three schools in use today were constructed between 1885
18 and 1918.

19 Education costs per pupil in Nova Scotia are
20 very substantially below those in Central and Western
21 Canada and necessarily have to be while the burden rests
22 on local property taxpayers and on a provincial govern-
23 ment whose revenue sources are limited and whose sales tax
24 gasoline and other taxes are already among the highest in
25 North America. Nova Scotia's sales tax is in any case
26 used wholly for hospitalization expenditures and Nova
27 Scotia's gasoline taxes together with other road user
28 taxes are insufficient to meet provincial highway con-
29 struction and maintenance expenditures.

30 The City Council of the City of Sydney believe



1 that the provision of adequate and constantly improving
2 facilities for the education of the nation's youth is be-
3 yond the financial capacity of municipal governments while
4 provincial education grants remain at their present levels.
5 In these days of nuclear energy, space flight and rapid
6 communications between nations, Canada cannot afford the
7 wide divergencies in educational facilities which at pre-
8 sent exist between one community and another and one pro-
9 vince and another. Adequate provincial government assis-
10 tance would be the answer, but some provincial governments,
11 particularly those in the Maritimes, are already at the
12 limit of their financial capacities in this respect.

13 The major injustice in present methods of edu-
14 cation financing is, it is submitted, the injustice to
15 education itself, to the nation's youth, to the Canada of
16 to-morrow.

17 (b) THE INJUSTICE TO THE PROPERTY TAX-PAYER

18 The provision of adequate educational facilities
19 in a community benefits property only in a broad sense.
20 It does not offer such direct benefits as do paved streets,
21 sewers, piped water supply, garbage collection, police
22 and fire protection. It is not therefore equitable that
23 citizens should contribute to education expenditures
24 largely in proportion to the assessed values of their pro-
25 perties. Their contributions could more equitably be made
26 through an ability to pay tax such as federal income tax.

27 (c) THE INJUSTICE TO THE LOCAL COMMUNITY

28 The well-being of a nation can to a large de-
29 gree be measured by the well-being of its local communi-
30 ties. The well-being of a city or town is typified by



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1 the standard of its residential properties, its pattern of
2 retail stores, commercial and public buildings, industrial
3 plant and public utilities, its roads and streets, its
4 educational, health, sanitation, welfare, cultural and
5 recreational facilities, its fire and police protection
6 and its law enforcement.

7 Property taxation is a vital part of this pat-
8 tern. Where adequate local services are provided and
9 property taxes can be maintained at a reasonable level,
10 the progressive development of a community is encouraged
11 and enhanced.

12 Present methods of education financing do not,
13 however, permit the channelling of sufficient property
14 tax revenues into needed local services nor do they allow
15 property taxes to be maintained at reasonable levels.

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1 PART V - PROPOSALS FOR AMENDMENTS IN FEDERAL TAXATION

2 POLICIES AND IN THE INCOME TAX ACT

3 City Council recognizes that the budgetary pro-
4 blems of the federal government are many and complex,
5 involving often the reconciliation of diverse and conflic-
6 ting interests. Acutely conscious of the need to develop
7 local communities and to improve the patchwork standards
8 of elementary and secondary education across Canada, City
9 Council makes two proposals -

10 PROPOSAL ONE

11 That as a matter of urgency a portion of budget-
12 ted federal revenues be channelled to provincial govern-
13 ments on an ability to pay basis to enable those govern-
14 ments to increase their grants for elementary and secondary
15 education purposes. And, further, that the allotment be
16 increased periodically until the objective of adequate
17 educational facilities for all Canadian school children
18 is brought within reasonable reach of all ten provinces.
19 And, finally, that these measures be taken notwithstanding
20 that they may involve adjustments in federal rates of
21 taxation.

22 PROPOSAL TWO

23 That the Income Tax Act be amended so as to
24 permit all home-owners to claim as deductible expenses
25 their payments of property taxes and payments of interest
26 on mortgages, or to claim a substantial fraction of each
27 of such payments. These two items of payment are, at
28 present, deductible expenses only for income property in
29 Canada. In the United States all home-owners who are
30 Federal taxpayers can deduct them. In the United Kingdom



1 payments of interest on mortgages are deductible, but not
2 payments of property taxes.

3 The amendment to the Income Tax envisaged by
4 City Council would automatically involve adjustments in
5 rates of federal income tax to the extent required to make
6 good the loss of tax revenues arising from the deductions.
7 The over-all effect would be that while the federal govern-
8 ment's total income tax revenues would not be affected
9 there would be a redistribution of the tax burden among
10 individual taxpayers. The taxpayer who is not a home-
11 owner would pay more. The taxpayer whose payments of pro-
12 perty taxes and mortgage interest are relatively low in
13 relation to his taxable income would also pay more. The
14 taxpayer whose property tax and mortgage interest payments
15 are relatively high in relation to his taxable income
16 would pay less.

17 Several benefits would flow from the implemen-
18 tation of this proposal -

19 (a) Home-ownership and the ownership of better class
20 homes would be encouraged and brought within the
21 financial limits of many persons not at present
22 able to acquire their own homes.

23 (b) This in turn would create employment in the home
24 construction industry.

25 (c) The demolition of slum properties would be
26 accelerated.

27 (d) Total residential assessments would rise in local
28 communities, thereby providing needed additional
29 revenues to municipal governments.

30 (e) Residential properties would tend to occupy a



1 larger proportion of a community's total assessment
2 and hence absorb a greater share of the tax levy.
3 This would benefit owners of commercial and indus-
4 trial properties.

5 CONCLUSION

6 City Council is aware that the two proposals
7 outlined involve major national adjustments in thinking
8 and in objectives.

9 The adjustment in thinking requires a clearer
10 appreciation of what should be the over-all national ob-
11 jectives of federal, provincial and municipal taxation,
12 considered not separately but as part of a national
13 pattern.

14 The adjustment in objectives necessitates a
15 firmer and stronger emphasis on the nation's educational
16 needs, a more sympathetic and helpful approach to the
17 homeowner and a deeper understanding of the importance to
18 our nation of sufficient local revenues and adequate local
19 services in every community.

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ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

1 SUBMISSION

2 OF

3 RETIRED CANADIAN RAILWAY EMPLOYEES ASSOCIATION

4
5 76 Athlone Avenue,

6 Moncton, N.B.,

7 January 28, 1963.

8 The Royal Commission on Taxation,
9 Ottawa, Ontario.

10 Honorable Gentlemen:

11 On behalf of the Retired Railway Employees
12 Association Incorporated, we wish to express our
13 appreciation of having the opportunity of appearing
14 before your Honorable board, in support of our brief
15 filed with the Secretary of your board under date of
16 November 7, 1962.

17 The brief above cited was forwarded to the
18 Honorable Minister of Transport, Leon Balser under date
19 of December 6, 1960, but it seems to have been lost
20 sight of. You will note that the brief deals with two
21 different subjects, namely, increases in low pensions
22 and pension allowances being exempt from taxation.

23 It is our understanding that your Honorable
24 board has been established for the purpose of dealing
25 with the matter of taxation only, therefore, we will
26 confine ourselves to that subject.

27 Resolution No 6, sponsored by the Moncton
28 Local division of the Retired Railway Employees
29 Association Inc., and endorsed by action of the con-
30 vention of the association held in the City of Halifax,



1 N.S., September 8 and 9, 1960, reads as follows:

2 "Whereas due to the high cost of living,
3 Retired Railway Employees find it impossible to secure
4 the necessities of life, therefore, they are deprived
5 of the standards of living under the present retiring
6 allowance which they receive from the different pension
7 plans, and, whereas: A great burden has been imposed
8 upon them account of the pensions which they receive
9 being classed as income and subject to the income tax
10 act. Therefore, be it resolved that this matter be
11 brought to the attention of the Prime Minister of Canada,
12 as well as the Federal Members of Parliament, urging
13 that consideration be given to amending the income tax
14 act, to provide for the exemption of pension allowances
15 as income under the act."

16 It is noted by the Press reports, that the
17 Chamber of Commerce, Boards of Trade, as well as other
18 business firms are seeking relief from taxation.
19 Therefore, if there is any possibility of relief for the
20 ones above referred to and we are led to believe that
21 there will be under bill C 78, which we will deal with
22 later in this brief, then surely the citizens who have
23 given their lifes' services to the well being of their
24 Country and obliged to retire, should be accorded the
25 privilege of having his pension allowance exempt from
26 taxation.

27 During the discussions in the House of Commons
28 November 15, 1962, in regard to bill C 78, to amend the
29 income tax act. The Honorable Minister of Finance,
30 George C. Nowlan had this to say, and we quote in part:



1 "Mr. Nowlan: thank you, Mr. Speaker. The bill contains
2 a number of provisions which will be of substantial
3 benefit to taxpayers. It is estimated that the total
4 tax revenue given up by the tax concessions to be
5 provided by this bill will be about one hundred and twenty
6 eight million on the basis of a full year.

7 The main income tax proposals which this bill
8 is intended to implement, have been described in the
9 income tax resolution which was before the committee of
10 ways and means last Wednesday. Although all parts of
11 the bill are important, I think general interest will
12 centre upon those parts which implement four major
13 proposals. Those are the increased deductions for
14 dependents; a tax reduction for corporations based on
15 increased sales; the right to deduct 150 per cent of
16 increased expenditures on scientific research; and the
17 series of amendments to assist the oil and gas industry.

18 The additional \$50 deduction for dependents
19 will bring important tax savings to all tax payers with
20 dependent children and other dependents, and will
21 completely relive some 80,000 taxpayers from payment of
22 income tax. Then the Minister goes on to deal with
23 production and expanding markets and etc."

24 You will note that this bill does not provide
25 any relief from taxation for those who are retired from
26 active service and depending on their monthly pension
27 allowance for a living. We realize that the matter that
28 we are dealing with is purely the responsibility of the
29 Federal Government, but due to the fact that the income
30 tax structure in the United States was referred to by the



Honorable Member of Parliament Mr. Mather November 16, 1962, at the time bill C 78 was being discussed on the floor of the House during the third reading of the bill. Mr. Mather pointed out many of the exemptions which favor the average citizen in the United States under their income tax law, but we note that he did not make mention of the pension allowances paid under the Railroad retirement benefits or the social security benefits which are exempt from taxation.

The Retired Railway Employees Association Incorporated feel very strongly concerning this matter of having their pension allowances classed as income under the income tax act, and we, pray your Honorable board will give our request every consideration. Thank you.

P. W. Caldwell,	J. Walter Lyon,
Grand President,	Grand Sec-Treasurer,
Retired Railway Employees Assn. Inc.,	Retired Railway Employees Assn. Inc.,
104 Lansdowne St.,	76 Athlone Avenue,
Campbellton, N.B.	Moncton, N.B.



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

SUBMISSION

OF

RETIRED RAILWAY EMPLOYEES ASSN. INC.

Retired Railway Employees Assn. Inc.

Operating under federal charter No. 247 Moncton N.B.

To: The Honourable Leon Balcer,

Minister of Transport, Ottawa, Ont.

Honorable Sir:

The Retired Railway Employees Assn. Inc.,
hereby submit to you for your consideration and action
the following brief:
We the representatives of the above named association
request that immediate action be taken regarding an
increase of Pensions for all Railroad Employees who have
retired from the service of the Railways and that such
increase will apply to all future Pensioners. The
Retired Railroad Employees under the Intercolonial and
Prince Edward Island Provident fund and under the
direct control of the Department of Transport, and the
pension cheques are issued by the Government of Canada,
through the Department of Transport, on behalf of the
membership of our association and all future members,
we ask that our request for increase in pensions be
submitted to Parliament without delay.

In view of the fact that under the above
mentioned plan the members have contributed one and one
half (1-1/2) per cent of the salaries during their
service with the Railways, therefore, we believe our
request for increase in pensions, especially those who



1 come under the contributory plan is justified and in
2 order.

3 The Canadian National Railways are owned by
4 the people of Canada and operated by a board of directors
5 appointed by the Government of Canada and the Government
6 has from time to time assisted various groups of citizens
7 through subsidies and other assistance, etc. We feel
8 that we also are justified in requesting increases for
9 those Railway Employees who have contributed under the
10 non-contributing Railway pensions.

11 The above requests are made due to the high
12 cost of living and the devaluation of the purchasing
13 dollar. We believe that the present Government should
14 instruct the Board of Directors of the Canadian National
15 Railways to provide an increase in pensions in order to
16 provide all pensioners a reasonable standard of living.
17 A large number of Railway pensioners do not benefit by
18 the old age assistance under the age seventy (70) years,
19 particularly those Railway pensioners who through
20 physical disability caused by active service in defence
21 of our Country. It is our belief that an adjustment
22 should be made in the income tax act. That all
23 pensioners in Canada should not be taxed on pensions or
24 even at least an exemption up to seven thousand dollars
25 \$(7000.00), and that this portion of the act should
26 be amended.

27 We would also draw your attention to the fact
28 that those who participate in the Intercolonial and
29 Prince Edward Island provident fund should be classed
30 as Civil Servants, due to the fact that this act was



1 brought into force by the Federal Government in the year
2 1907 and is administered by the Government of Canada.
3 We would like to give you a few facts and figures in
4 connection with the Intercolonial and Prince Edward Island
5 provident fund, which came into force April 1st, 1907
6 and at which time the minimum pension was twenty dollars
7 (\$20.00) per month and in the year 1921 the Government
8 passed legislation to raise the minimum pension from
9 \$20.00 to \$30.00 per month, in accordance with vote
10 No. 473, to do this it cost the Government in 1921,
11 \$36,145.78, the year 1922, \$48,699.09 then it decreased
12 every year on an average of one thousand dollars
13 \$1,000.00, right down through the years to 1959, when
14 the assessment was \$8,514.85 and now this agreement at
15 1961 is wiped out due to all the \$30.00 a month pension-
16 ers are gone. If the Government would see fit to renew
17 this legislation and increase the basic pension to
18 \$100.00 per month it would take care of all the low
19 bracket pensioners plus the old age security pension
20 and therefore give our aged and respected pensioners
21 a more hopeful outlook in life in their declining years.

22 Whereas, at the present time the indigent
23 poor with all the social services and under the new
24 social assistance act in which the Provincial Governments
25 and the Municipalities participates are living in luxury
26 compared to our aged Railroad pensioners who would sooner
27 starve or freeze than seek charity. It should also
28 be taken into consideration the loss of time suffered by
29 our personnel during depression years, which has caused
30 a great many of our pensioners to loose from one (1)



1 to twelve (12) years on their allowable pension service
2 which was no fault of their own as they were available
3 for work, but due to the fact that twelve and one half
4 (12-1/2) calendar days had to be worked to constitute
5 a full month many fell short of this allotment over a
6 period of years and thus had to retire at the age of
7 sixty-five (65) with a very much smaller pension than
8 they normally should have received. Further we beg to
9 submit the following:

10 (1) Whereas: our association has presented to the
11 Federal Government several Briefs since March 15, 1959,
12 requesting increase in pensions to retired employees
13 under the above plans, therefore, we are again humbly
14 asking the present Government to submit to Parliament
15 our request a scale of rates for increasing present
16 pensions.

17 Basic rate of pension, \$100.00 per month
18 Pensions from \$100.00 to \$150.00 per month 20% increase.
19 Pensions \$150.00 to \$200.00 per month 15% increase.
20 Pensions \$200.00 to \$300.00 per month 10% increase.
21 Pensions \$300.00 to \$400.00 per month 5% increase.
22 No increase in pensions over \$400.00.

23 (2) Whereas: the present Canadian National Rail-
24 ways pension plan provides for a basic pension section
25 112, of \$300.00 per year, of \$25.00 per month, at the
26 sole expense of the Company, we maintain that the
27 Intercolonial and Prince Edward Island provident fund
28 act should have been amended to provide this basic
29 pension to those already under this act, and those
30 employees who are contributing to this pension at the



1 present time. It is therefore respectfully requested
2 that this change be made in the act, and that all
3 pensioners and prospective pensioners be granted this
4 basic pension.

5 (3) Whereas: there is no clause in the Inter-
6 colonial and Prince Edward Island provident fund act for
7 an allowance to widows of pensioners after the death of
8 their Husbands, we request that the act be amended to
9 allow fifty per cent (50) per cent of the pension to
10 be laid aside for widows of pensioners.

11 (4) Whereas: a pension (if single) is only allowed
12 tax exemption of \$1000.00 and after (65) years of age
13 an additional \$500.00 making a total of \$1500.00, and
14 whereas upon receipt of the old age pension of \$55.00
15 a pensioner is required to pay a tax due to coming under
16 the higher bracket of taxation, we maintain that
17 pensioners should not be taxed, especially those who
18 were employees of the Canadian Government. We request
19 that some action to amend the income tax act, to give
20 relief to the pensioners in the taxation field as
21 outlined in resolution No.6, which has already been
22 submitted by the retired Railway Employees association
23 incorporated to the Federal Government. At this time
24 we wish to thank the Prime Minister and his Cabinet
25 for giving us of their valuable time, the opportunity
26 in presenting these facts and we appreciate exceedingly
27 you have taken your time to lend a listening ear to our
28 requests.

29 Sincerely,

30 Signed on behalf of the Retired Railway Employees



1 Assn. Inc.

2 P.W. Caldwell

C. A. Dixon

3 President

Secretary-Treasurer.

4

5 Resolution No (6)

6 Sponsored by Retired Railway Employees Assn. Inc.

7 Moncton Division.

8 Whereas: Due to the high cost of living, Retired
9 Railway Employees find it impossible to secure the
10 necessities of life, and therefore they are deprived
11 of the standards of living under the present retiring
12 allowances which they receive from the different pension
13 plans, and

14 Whereas: A great burden has been imposed upon them
15 account of the pensions which they receive being classed
16 as income and subject to the income tax act. Therefore,
17 be it resolved that this matter be brought to the
18 attention of the Prime Minister of Canada, as well as
19 the Federal members of Parliament, urging that con-
20 sideration be given to amending the income tax act, to
21 provide for the exemption of pension allowances as
22 income under the act.

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ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

EDWARD G. BYRNE, Q.C.
Barrister & Solicitor

Suite 1-3,
Eddy Building,
BATHURST, N.S.,
February 6, 1963.

P. Michael Pitfield, Esq., Secretary
Royal Commission on Taxation,
P.O. Box 466,
Ottawa.

Dear Mr. Pitfield:

Thank you for yours of January 28th.

Due to other commitments, being amongst others the responsibilities as Chairman of the New Brunswick Royal Commission on Finance and Municipal Taxation, I will be unable to arrange for a brief and presentation to your Commission, and in any event the period April 18 - 26 would be impossible.

My principal intended submission was to be a criticism of the present mode of collecting Federal income taxes at the source, i.e., deduction by the employer. In this day and age a very substantial amount of the monies raised by taxation is being devoted to so-called social welfare. The recipients are, for the most part, the indigent and low to average wage earners. It is to these people particularly that our politicians as such are holding out promises of free this and free that. The forthcoming Federal election will no doubt prove no different and there will be another rash of promises of things, so inaptly described as "free".

It is this same class of indigent, low and up to average wage earners who, generally speaking, are the recipients. Due particularly to deductions at the source, the recipients are not aware that such things are not free and that they, at least in some measure, are paying. Several years ago I had the exact figures, but for the purpose of this letter will confine myself to general statements to the effect that a very substantial majority of Canadian income tax payers are subject to deduction at the source. Of these a very substantial majority treat income tax as something to be gained whereby prior to April 30th they file a return entitling them to a rebate of the tax deducted at the source. Generally speaking workers, especially the unionized group, are concerned only with take-home pay. It would be my submission that the system of tax collections is aiding and abetting unscrupulous politicians who are, and there is no other way of putting it, attempting to buy votes with the taxpayers' dollar. Even though I recognize the economic effect of universal programs of assistance such as old age pensions, family allowance, social assistance and welfare generally, I am unalterably opposed to universality in such programs. In many respects, we are destroying initiative and as well creating a welfare burden that eighteen million people cannot long support, and channelling money into welfare rather than the development of the Canadian potential. Alternatively, I am in no way opposed to welfare measures for those who need and are entitled on merit to them and in fact I would recommend more realistic provision for such people than now provided under the universal programs.



EDWARD G. BYRNE, Q.C.

But very briefly, I may summarize my point by saying that it is my belief that if at least Federal income tax were collected directly from those responsible for payment, the effect would be better government, certainly more democratic. Your Commission may well take the view that the present system of collecting is simple, effective and comparatively without cost. This I can only acknowledge, yet on the other hand I am of the opinion that employers should not be subjected to performing the work of the government and at considerable cost to themselves and, secondly, due to my familiarity with the Income Tax Act and the Department, that the Department has every means in its power for instituting direct collections. Also, it would be my guess that the present income tax staff would be nearly adequate for direct collections. Possible tax evasion might be substantially eliminated if all employers were required to annually file a list of their payrolls.

My intended submission has been discussed with one or two industrial concerns which may be presenting briefs and if so, it is my hope that perhaps they may incorporate my submission in their own. In any event, I do request that a copy of this be circulated among the members of your Commission, some of whom are personally known to me and held in high regard. Copies are enclosed for such purpose.

Yours very truly,

(Signed) EDWARD G. BYRNE.

EGB:IW
Encl.



ANGUS. STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

B R I E F

Submitted by the

FISHERIES ASSOCIATION OF BRITISH COLUMBIA

to the

ROYAL COMMISSION ON TAXATION

Vancouver, B.C.
February, 1963



1 The Fisheries Association of British Columbia
2 appreciates your invitation to submit a brief dealing
3 with Federal Tax matters of concern to it. The
4 Association is a voluntary organization of limited
5 liability companies whose plants process 85 - 95% of the
6 canned salmon produced in British Columbia and 80 - 90%
7 of the herring fishery.

8 Frequently more than 50% of the gross annual
9 revenues of the member companies is derived from sales
10 in world export markets; sales made in direct competition
11 with Japanese, Russian and American producers of canned
12 salmon, and with numerous other producers of fish meals
13 and oils.

14 Advances to Fishermen

15 (1) The British Columbia industry does not receive,
16 or ask for, any subsidies from the Federal Government;
17 nor, as a primary industry gaining its revenue from the
18 acquisition, processing and sale of a natural resource,
19 does it receive any preferential tax treatment. (The
20 five year income averaging and straight line depreciation
21 provisions are available to taxpayers whose chief source
22 of income is "fishing", but none of the member companies
23 of this Association so qualify, because of their
24 processing operations.) In order to acquire its raw
25 product -- fish, the fishing companies find it necessary
26 to finance the fishermen; this financing can amount
27 to many thousands of dollars per fisherman, and in
28 addition to financing his boat and gear, it is often
29 necessary in poor fishing years to finance the fisherman
30 for his day-to-day living needs. This financing by the



1 fishing companies may be likened to the exploration and
2 development expenses of a mining or oil company, as it
3 is the first step necessary in the process of seeking
4 out and acquiring the raw product. However, unlike a
5 mining or oil company, a fishing company is not allowed
6 to write off this expense against taxable income.
7 Although the amount of any fisherman's account which is
8 proved to be positively uncollectable is allowed as a
9 deduction on account of bad debts, the majority of these
10 "advances to fishermen" are regarded by the Tax Depart-
11 ment as accounts receivable; and accordingly the only
12 manner in which any part of them is allowed as a
13 deduction from income is as a reserve for doubtful
14 accounts. A considerable number of these advances are
15 seldom fully paid off and a fisherman will remain in-
16 debted to a fishing company for so long as he continues
17 to fish. Despite this fact, it has required strong
18 representation by the fishing companies to obtain from
19 the Tax Department a relatively small blanket reserve
20 in respect of these accounts.

21 (2) We recommend that the amount by which a
22 company's "advances to fishermen" increases in a year
23 be regarded as a direct cost of seeking out and acquir-
24 ing fish and be allowed as a deduction in computing
25 taxable income for that year. In good fishing years
26 the total advances to fishermen should decrease, so that
27 there would be an addition to taxable income by the
28 amount of the decrease.



The Prince Rupert Fishermen's Co-operative
Association

(3) The largest processing plant in British Columbia, other than plants owned by members of this Association, is owned and operated by the Prince Rupert Fishermen's Co-operative Association, whose growth and expansion in recent years has been viewed with alarm by the member companies of this Association. We believe that the management of the member companies of the Fisheries Association is as efficient as the management of the Co-operative; that our plants are as modern; and our fishermen are as efficient as theirs. One reason they have been able to expand -- as they have done -- is due to the tax advantages conferred on Co-operatives under the terms of the Income Tax Act. We do not believe that there is any justification today for the gross differentiation made between the taxation of corporate profits before dividends and the taxation of Co-operative retained earnings after the payment of deductible patronage dividends. The Commission undoubtedly will be receiving many submissions dealing at length with this matter. We merely wish to draw to your attention our conviction that if Canadian industry and business is to continue to attract investment monies and to promote the cause of free enterprise, capitalistic system, it seems illogical to encourage by unwarranted tax concessions a type of economic system in direct competition.

(4) We therefore recommend that the following two sections of the Income Tax Act be repealed:-



Section 73(1) which provides that no tax is payable on the taxable income of a Co-operative for each of the first three taxation years after its commencement of business.

Section 75(1) which provides for the deduction, in computing taxable income, of patronage dividends

Capital Costs

(5) During the post-war years there has taken place a tremendous increase in the size and efficiency of the Japanese and Russian fishing fleets operating in the North Pacific. It is our understanding that the cost of their fleets is in whole or in part underwritten by the respective national governments.

(6) In order to compete with these and other fishing nations, the Canadian industry needs a modern, well-equipped fleet of fishing boats and ancillary vessels. This is the area in which there is the greatest need for large capital investment. Under the present "Ship Construction Assistance Regulations", the Federal government, through the Canadian Maritime Commission, grants subsidies to shipowners and shipbuilders for the construction of certain types of vessels. These regulations are of little application to the British Columbia fishing industry because the classes of vessels which are eligible for subsidies are not in practical use in the British Columbia fishing industry; and as far as fishing boats are concerned, the regulations discriminate in favour of the East Coast industry

(7) The relative sections of the Regulations are



1 attached for your information.

2 (8) In order to encourage the necessary capital
3 investment, we recommend that a system of "investment
4 allowances" be introduced similar to those in effect
5 in Britain and certain other European countries. The
6 existing incentive of accelerated depreciation provided
7 by Regulation 1109 issued under the Income Tax Act is
8 not sufficient. Increased or accelerated capital cost
9 allowances are a temporary benefit, greatly appreciated
10 over the short run, but sadly missed in later profit
11 years when there is no capital cost allowance to charge
12 against the profits -- especially if tax rates have
13 increased during the interim. An investment allowance
14 of say 30% of the capital cost, allowed as a deduction
15 from taxable income in the year of the expenditure, in
16 addition to normal capital cost allowances, should
17 provide an incentive to Canadian industry to carry out
18 more capital expansion.

19 Business Losses

20 (9) The profit history of the British Columbia
21 fishing companies shows a record of tremendous fluctu-
22 ations from year to year; these fluctuations being
23 directly attributable to the great changes in the sizes
24 of the annual fish runs.

25 (10) The most profitable salmon harvested on the
26 Pacific Coast is the sockeye, which has a four year life
27 cycle, and industry profits tend to peak every fourth
28 year whereas the other three years generally result in
29 small profits or in losses of various magnitudes.

30 The present provisions of the Income Tax Act provide



1 for the offsetting of a loss in any year, against the
2 profits of the preceding year and the five subsequent
3 years. Should the members of this Association fail to
4 realize one profitable peak year, it is possible that
5 they would be unable to recoup the losses sustained out
6 of taxable profits of the other years, within the limits
7 set by the present provisions of the Act.

8 (11) We do not understand the reasons for the
9 present limitation on the carry forward of losses and
10 recommend its repeal. Its existence can create great
11 hardships in certain circumstances, while its removal
12 could not result in any great loss of revenue to the
13 national government.

14 Consumption Taxes

15 (12) The Commission will no doubt be investigating
16 various forms of taxation, either as alternatives, or
17 as additions, to the existing tax structure in Canada.
18 Many references have recently been made to consumption
19 (or direct) taxes, such as the "value-added" tax in
20 force in France and other European countries. We would
21 emphasize to the Commission that such forms of tax
22 create undue hardships in industries such as ours whose
23 experience shows a history of high costs and low profit
24 margins. Any form of taxation which increases our
25 direct costs, only serves to imperil our competitive
26 position in both the domestic and world markets. A tax
27 on profits, from our viewpoint is much more equitable.

28 Respectfully submitted,

29 FISHERIES ASSOCIATION OF BRITISH COLUMBIA
30



EXCERPTS FROM P.C. 1962-1122, dated August 3rd, 1962 -

CANADIAN MARITIME COMMISSION
REGULATIONS RESPECTING CAPITAL SUBSIDIES FOR THE
CONSTRUCTION OF COMMERCIAL AND FISHING VESSELS

Interpretation

2. (f) "eligible ship" means a vessel that is
intended for use in commercial enterprises
and that is

(i) a self propelled vessel of one hundred
tons gross tonnage or over,

(ii) a vessel that is not self-propelled,
of two hundred tons gross tonnage or
over, or

(iii) a tug of fifty tons gross tonnage or
over;

(g) "fishing trawler" means a fishing vessel
that has a steel hull of not less than
seventy-five feet in length and that uses
an otter trawl or similar device;

Subsidy

5. (1) A subsidy, in respect of the construction
in Canada of any eligible ship, may be paid
in an amount not exceeding

(a) forty per cent of the approved cost
incurred for work performed under a
contract between May 12, 1961 and
March 31, 1963; and

(b) thirty-five per cent of the approved
cost incurred for work performed



under a contract after March 31, 1963.

- (2) A subsidy in respect of the construction in Canada of a fishing trawler to be operated out of a port in any of the Provinces of New Brunswick, Newfoundland, Nova Scotia, Prince Edward Island or Quebec may be paid in an amount not exceeding fifty per cent of the approved cost incurred for work performed under a contract after May 12, 1961.



ANGUS, STONEHOUSE & CO. LTD
TORONTO, ONTARIO

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4 SUBMISSION

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7 KINGSWAY LAMP AND MFG (1960) LTD.

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10 to the

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13 ROYAL COMMISSION ON TAXATION

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21 February 14, 1963.
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ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

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1 KINGS' WAY LAMP & MFG. (1960) LTD.
2 1670 Pandora Street,
3 Vancouver 6, B.C.
4 February 14th, 1963.

5 Royal Commission on Taxation,
6 P.O. Box 466,
7 Ottawa, Canada.

8 Reference: M.P.1

9 Invitation of Submissions

10 Gentlemen:

11 Your commission was formed to study the economic
12 effects of Taxation.

13 May I suggest firstly that this commission up
14 to the point of your first 3 choices have tremendous
15 qualifications.

16 Your second three and this is not meant as a
17 reflection are the same types as the first three or as
18 most producers refer to service types second guessers.
19 Was this commission chosen without any representation by
20 secondary industry that is presently being destroyed by
21 tax laws undoubtedly formed by some of your charter members.

22 Section "A" -- Distribution of Burden among
23 Taxpayers:

24 Eliminate Sales Tax as we now use it. This tax
25 should be applied on the users end at a much lower rate
26 and not buried where it is compounded by each individual
27 obligated to cover it.

28 Section "B" -- Effects of Tax System on
29 Employment:

30 As long as we are obliged to operate under



1 Section E.T.111 March 5, 1959, we will not hire Canadian
2 labor, but Import from abroad whereby the Government is
3 obliged to charge us Sales Tax at Entry Point, or where
4 our costs are lowest. As we have lost a large percentage
5 of material suppliers in the past 5 years a good many
6 of our components are purchased out of the country in any
7 case. So our feelings are that as we are obliged to pay
8 Duty on raw parts or complete goods we are better off not
9 being involved with employment and purchase complete.

10 Section "C" -- Provisions in Existing Laws

11 Under Section E.T.111 March 5th, 1959 this must
12 have been developed and written by the blind. I have by
13 every manner known to me tried to have some reason
14 applied.

15 Do you know that Sales Tax is charged and
16 collected by the department even when a Manufacturer has
17 had the misfortune to sell to an account who for any
18 number of reasons does not pay.

19 Do you realize that Sales Tax is collected on
20 any product that may have to be sold at a loss.

21 Do you understand that under Section E.T.111
22 that we are not allowed to establish a price for our
23 product to remit tax on.

24 Do you realize that in my Company's case we must
25 pay Sales Tax on our top selling price. To illustrate
26 an instance -- We operate as a Manufacturer and Wholesaler.
27 As a Manufacturer I can produce an item to sell to another
28 Wholesaler for \$10.00 plus Tax of 11% to total \$11.10,
29 this party can sell this for \$20.00 without further
30 interference from the tax office. Should we sell a like



1 article from our own Wholesale at a competitive price of
2 \$20.00 our tax is \$2.00 not \$1.10. This Circular puts us
3 in a position of having to pay sales tax on Office Staff,
4 Salesmen, Automobiles, Operating Costs, Unemployment
5 Insurance, Workmen's Compensation, Etc.

6 Section "E"

7 I do not think it is basic tax laws that dis-
8 courage Canadian Ownership, it is basic Bank borrowing
9 privileges. Our Industry is down to a national average
10 of earnings of 2.5%. A bank in this Country likes to see
11 6 to 10% Profits showing.

12 If it isn't you don't borrow, if we show this
13 percentage the Government is in like a hungry dog, and I
14 will defy anyone who is in the Secondary Industrial field
15 to make this combination function.

16 Our easiest answer is to sell out to an
17 American or other Foreign Control to get Capital and be
18 out from under our Charter Bank whims. It gives us the
19 opportunity to develop on a longer scale. I would guess
20 that if you checked with Mr. George Hees, Minister of
21 Trade, he would or could substantiate this many times
22 over, or if you have access to many Bankruptcies, count
23 for yourself the number of businesses closed by our banks
24 because of a wrong guess or a poor year by the Manufac-
25 turing Industry.

26 Should a Company with a problem that is recti-
27 fiable have a Government sponsored board he could turn to,
28 that would either back him up or say to our present
29 sources of lending in this country "Get off his back"
30 this condition can be rectified.



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

5

1 Over a period of time you could go a long way
2 in keeping people employed who pay taxes.

3 Section "F" -- Tax Laws and Administration.

4 My suggestion on this is that attitude is the
5 greatest change needed.

6 Were the Internal Tax Office to take what they
7 are due instead of taking what they can grab we wouldn't
8 be forced into the positions ^{we're} in.

9 I would strongly recommend that these men and
10 able men sit down as councillors to industry and explain
11 where their entitlements are first and apply tax second.

12 Should you desire I would gladly appear before
13 your commission if I can be of any assistance.

14 Yours very truly,

15 KINGS' WAY LAMP & MFG. LTD.,

16 Hamilton S. Brown.

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ROYAL COMMISSION ON TAXATION.

Submission by:

William Hedley MacInnes,
6757 Cypress St.,
Vancouver 14, B.C.

Par p.1. Preface:

- 2 - 12. Income Tax - Capital Gains.
- 13. do Recommendations.
- 14. Income Tax - Marital Status.
- 15. do Recommendations.
- 16 - 17. Sales Tax - Bad debts. Commission.
- 18. do Recommendations.

Appendix.

Excerpts from judgments.

- par 1 - 3. Tax Appeal Board.
- 4 - 7. Exchequer Court.
- 8 - 9. Supreme Court.



ROYAL COMMISSION ON TAXATION

Submission by W. H. MacInnes, 6757 Cypress St.,
Vancouver 14, B.C.

1. My submissions aim at removing unfairnesses which are irritating to taxpayers. Paying taxes is a necessary but not a popular duty. Collecting taxes should not involve irritating features such as undue delay in administration, new rulings by the Department, without the sanction of Parliament, having the effect of new tax legislation, and particularly making the same retroactive. A taxpayer, when he is conducting his business, should be able to tell what tax thereon he will be required to pay. Discrimination should be avoided and it would appear fair to treat laymen the same as clergymen.

Re: Income Tax - Capital Gains

2. In 1937 I started operating a soap factory, under the trade name of Western Soap Company. By the early 1940s I had the business on a profitable basis, providing for my needs and a surplus for investment. This was in part due to keeping overhead at a minimum by operating without a buyer or a salesman, a book-keeper or a stenographer, doing all this work myself. This meant hard work, for long hours and little time for selecting investments. I was canvassed by real estate agents whom I knew and offered mortgages that were then current, viz mortgagges on homes bought by working-men who paid 1/3 cash and gave a mortgage,



1 2. bearing 6% interest, to cover the remaining
2 2/3. These were offered at a discount of 15%.
3 This discount resulted in a 6% mortgage yielding
4 7% on the investment and the discount provided
5 security of principal, as the expectation was that
6 enough discounts would be paid to make up for
7 losses on mortgages that ran into default. I
8 invested my surplus funds by buying these mortgages.

9 3. The period from 1944 to 1954 was one of
10 inflation and rising prices in real estate, and
11 a number of discounts were paid. During this
12 period the Government took the position in
13 Parliament that Canada did not tax capital gains,
14 as was done in the U.S.A. Also during this period
15 the Tax Department deemed these discounts to be
16 capital gains and made no claim for tax on them.

17 4. But without change in the law, the Tax
18 Department decided in 1956 that they would try to
19 collect income tax on these discounts by claiming
20 that the purchasing of them was not investment but
21 constituted a business. In the spring of 1957
22 they assessed me for tax on the discounts received
23 from 1946 to 1954. I objected, quoting the Cohen
24 case which they had not appealed. I was advised
25 to appeal to the Tax Appeal Board, but was
26 required to pay the tax levied. I promptly
27 appealed and judgment was given June 11th 1959
28 that I was merely investing my surplus funds and
29 the discounts were accretions to capital and not
30 subject to tax.



1 5. I applied for refund of the tax paid but was
2 refused on the ground that they might appeal the
3 decision of the Tax Appeal Board. My appeal did
4 not stop the Department demanding payment of the
5 tax assessed but the possibility of appeal by them
6 was given as reason for refusing refund of the
7 tax declared by the Tax Appeal Board to have
8 been wrongly collected.

9 6. Six months and two days later, in October
10 1959, on the last day permissible, the Department
11 served notice of appeal to the Exchequer Court,
12 which did not hear the case until September 26th
13 1961, and judgment was given May 20th 1962,
14 sustaining the judgment of the Tax Appeal Board.

15 7. On September 12th 1962 the Department gave
16 notice of appeal to the Supreme Court of Canada.
17 The case came for hearing on May 10th 1963 and
18 judgment was given in favour of the Department.

19 8. Thus in 1963, seventeen years after 1946
20 the opening year of the period under review and
21 nine years after 1954 the closing year, I am
22 required to pay tax on discounts received between
23 1946 and 1954. This in spite of the fact that
24 during the period 1946 to 1954 no claim for tax
25 was made on these discounts which were deemed to
26 be capital gains. On Department's appeal to the
27 Exchequer Court they were declared to be capital
28 gains. But the Department refused to honour
29 both these judgments.

30 9. Note the tardiness of the Department and the



W. H. MacInnes.

- 5 -

9. long delays; and that on a point on which Parliament had not acted, as pointed out by the Supreme Court in the Scott case, S.C.R. April 1/63, p.1.1.24, "the Act nowhere specifically deals with these discounts..... It is possible to deal expressly with the problem and the Act had not done so."

10. The Department by deciding to collect tax on discounts by claiming the purchase of mortgages to constitute a business was virtually legislating and assuming the duty and power of Parliament. Such a practice works hardship on the taxpayer and should not be satisfactory to the Government.

11. Note the judgment of the Tax Appeal Board, Appendix p.1. par.1. The Tax Appeal Board takes the position that a judgment given by it, which is not appealed to a higher court, establishes the law and should be observed. The Cohen case went to the Exchequer Court and judgment was given that the discounts were capital gains and not taxable. Again the Department failed to appeal the judgment and yet refused to follow it. They did not appeal because of the principle that the Supreme Court would not upset or ignore the findings of fact by the Exchequer Court unless serious error could be shown. They therefore adopted the policy of delaying appealing to the Supreme Court, in every way possible, until a taxpayer should appeal from a judgment of the Exchequer Court and bring a case before the



11. Supreme Court which they might hope to win.

This took six years from 1957 to 1963. But on April 1st 1963, in the case of J. F. Scott v M.N.R. judgment was given in favour of the Department. They then agreed to bring on their appeal in my case.

12. By this time they had created a condition of confusion and uncertainty. Real estate agents and solicitors involved in dealing with real estate were deemed conducting a business and their discounts were adjudged income. Men buying mortgages as an investment were deemed not in business but merely investing their surplus funds. The distinction was not always clear, and a flood of cases, fifty or more, were on their way up for adjustment. The Supreme Court evidently did not like this, nor what seemed confusion and lack of uniformity in the judgments of the Exchequer Court, and gave judgment supporting the Department in taxing mortgage discounts as income, even though, after careful examination the Tax Appeal Board or the Exchequer Court might have adjudged some of them to be capital gains.

13. I recommend:

(a) That Parliament clearly define what is income to be taxed and what is to be deemed capital gain, and whether capital gain is to be free of tax or taxed at a specially determined rate, as it is in the United States.

(b) That the Tax Department should not be allowed to adopt a new practice, which has the



1 13. (b) effect of new tax legislation, and
2 particularly should not be permitted to apply
3 this retroactively.

4 (c) That the Tax Department should be
5 required, in case of doubt, to have the law
6 clarified as quickly as possible. When a judgment
7 re taxes has been given by the Tax Appeal Board,
8 or the Exchequer Court, if the Department is not
9 willing to accept and abide by it, it should
10 promptly move for appeal to a higher court.

11 (d) That the Tax Department should have
12 the same rights as a tax-payer and no more. If
13 the Department can demand payment of tax because
14 it is assessed, the taxpayer should be entitled to
15 refund of a tax paid, if a competent court adjudge
16 the tax wrongly levied.

17 Re: INCOME TAX. Marital status.

18 14. A man with a wife, whether maintaining a
19 home or not, is granted a deduction from income
20 of \$2,000. When a man with his wife is maintain-
21 ing a home, and the wife dies, and he has to
22 employ a full-time housekeeper to maintain his
23 home, he is allowed only the single man's exempt-
24 ion of \$1,000 unless he is a clergyman.

25 15. I recommend:

26 That every taxpayer, maintaining a home
27 with a full-time housekeeper, should be allowed
28 an exemption of \$2,000. as is now allowed to a
29 clergyman.
30



Re: SALES TAX. Bad debts. Lack of commission.

16. The Government requires a manufacturer to collect its Sales Tax from his customers. For this work it pays no fee or commission, although it involves expense for the manufacturer.

17. If the manufacturer is unable to collect payment from his customer, i.e. incurs a bad debt, he not only loses the value of the goods supplied, but is required to pay sales tax thereon. This is manifestly unfair.

18. I recommend:

(a) That a manufacturer should not have to pay a Sales Tax which he has not been able to collect from his customer.

(b) That a reasonable fee or commission be paid to cover the expense involved in collecting and accounting for the tax, as is done by the B. C. Government for collecting the S.S. and M.A. tax.



ROYAL COMMISSION ON TAXATION

Submission by W. H. MacInnes, 6757 Cypress St.,
Vancouver 14; B.C.

Appendix. 1.

Excerpts from judgment, Tax Appeal Board, W. H.
MacInnes v M.N.R.

1. Re: Hall v M.N.R. May/57. and Lynd v. M.N.R.
Nov./57.

cp.210, p.17, 1.8ff. "notwithstanding what I consider were the very clear indications of my views as set forth in my reasons for judgment in those two cases, the respondent did not see fit to appeal the Hall decision in a higher court and while the Lynd case was appealed it was subsequently withdrawn by the Minister, according to information which I have received from his department. It seems, therefore that despite those two decisions of this Board, the departmental officials in the same taxation office as that in which the Hall appeal arose, have deliberately chosen to ignore the findings of this Board and have proceeded on their sweet way in this third case, irrespective of what may have been found to be the law in this regard. If this is to become the practice of the respondent's officials, I feel that it most certainly should be brought to the attention of the public - and, indeed, to that of Parliament - as otherwise there does not seem to be much point in having sitting



1 1. cp.210,p.17,1.8ff. Contd...

2 "an independent tribunal and endeavouring to
3 interpret the law for the taxpaying public in
4 so far as tax legislation is concerned".

5 2. cp.213, p.20, 1.19ff. "After considering all
6 the evidence submitted at the hearing, I have
7 reached the conclusion that this taxpayer was not
8 in the business of buying mortgages, nor was he
9 engaged in a concern or adventure in the nature
10 of trade such as would bring him within the
11 definition of "Business" contained in section
12 139 (1) (e) of the Income Tax Act (c.148, R.S.C.
13 1952) formerly section 127 (1) (e) of the 1948
14 Tax Act. I am of the opinion, also, that this
15 taxpayer cannot be considered to have been in
16 the moneylending business. He was, in my view,
17 merely an investor seeking to invest his surplus
18 funds to the best advantage in order that he
19 might obtain the maximum return from the use of
20 his money".

21 3. cp.214, p.21, 1.30ff. The mortgage discount
22 which he received was in my opinion an
23 accretion to capital which is not subject to
24 tax.



ROYAL COMMISSION ON TAXATION

Submission by W.H. MacInnes, 6757 Cypress St.,
Vancouver, 14, B.C.

Appendix. 2.

Excerpts from judgment (Thurlow, J.) Exchequer Court,
May 30th, 1962.

4. p.6.1.9. "I turn now to the facts as
given in evidence by the respondent, who was the
only witness called at the hearing of appeal.....
Despite his interest in the result of the
proceedings, I think he was perfectly frank and
honest in his answers and I neither discount
nor doubt any of his testimony."

5. p.13.1.27. "The respondent was not a lender
in any of these transactions."

6. p.16,1.30. "I am unable to see what there
was about the respondent's purchases, holding and
receiving of amounts accruing on these mortgages,
to characterize what he did as a trade or business
rather than a mere investing of his funds in
mortgages and the holding of such investments."

7. p.18,1.8. "After lengthy consideration
of the facts I AM OF THE OPINION THAT THE DISCOUNTS
REALIZED were not profits from a business
within the meaning of that term as defined in the
applicable statutes. In my view there is nothing
in the case which characterizes what the respondent
did as anything but a mere investment of funds



1 Appendix 2. Contd....

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3 p.18,1.8. which he had available for investment".
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ROYAL COMMISSION ON TAXATION

Submission by W. H. MacInnes, 6757 Cypress St.,
Vancouver 14, B.C.

Appendix. 3.

Excerpt from judgment of Supreme Court of Canada,

J.F. Scott v. M.N.R. April 1st 1963.

8. P.1, par. 2. "There has been a line of
six cases on this problem in the Exchequer Court
beginning in 1957 with the case of Arthur Cohen
v. M.N.R. (1957) Ex.C.R.p.236. There the
accretion was held to be capital in the case
of a retired businessman who disposed of many
of his investments and put his capital into
mortgages which he purchased at a discount. In
the next five cases, including the present one:
M.N.R. v. L.W. Spencer (1961) C.T.C. 109.
Scott v. M.N.R. (1961) C.T.C. 451.
M.N.R. v. Beatrice Minden. (1962) C.T.C. 79.
M.N.R. v. H. S. Rosenberg. (1962) C.T.C. 372.

the contrary conclusion was reached. The discounts
when received were held to be taxable because the
securities were acquired not as investments but
as a scheme of profit-making and, consequently,
taxable as income from a business. However in
the latest case, Minister of National Revenue v.
William Hedley MacInnes (1962) C.T.C. 350. the judge
concluded that the taxpayer was engaged in invest-
ment and not in a scheme for profit-making.



1 Appendix 3. Contd...

2 9. This diversity of opinion is understandable
3 when the decision must depend upon a full review
4 of the facts in each case for the purpose of
5 determining whether the discounts can be classified
6 as income from a business. Even on the same
7 facts, there is room for disagreement among judges
8 on the conclusions that should be drawn from
9 these activities of a taxpayer, for the Act nowhere
10 specifically dealt with these discounts, as it
11 does, for example, in s.105 (a) with shares
12 redeemed or acquired by a corporation at a premium.
13 It is possible to deal expressly with the problem
14 and the Act has not done so.



REPRESENTATION SUBMITTED BY:

ALEC C. BEASLEY, (Farmer)
R.R. #1,
Windfield, B.C.

SUMMARY OF THIS MEMORANDUM:

- a. That taxation by way of Income Tax, in the case of all levels of government, should replace, up to an optimum point, all other methods of taxation.
- b. The sales Tax, Estate Tax and Licences be abandoned.
- c. Capital gains should be included in the Income Tax.
- d. 20% exemption on investment income from Canadian companies, in calculating personal income tax, should be abandoned.
- e. Corporation income tax should be abandoned, except for local purposes.
- f. Taxation should be levied to alleviate unemployment.
- g. Income Tax offices should be deployed to maintain the privacy of the Taxpayer.

I N T R O D U C T I O N

1. It is generally agreed government is necessary but when it comes to paying for this necessity there is endless dissatisfaction with the way it is always being done. Proof of this is the appointment of this Commission to find some common denomination of acceptance.

2. I have been a tax reformer for very many years, in fact ever since I was a young man and came up against, most vividly, the impossibility of taxes on my farm.

3. Before that, too, in the sensitive teens, I met the customs duty with the purchase of a log saw from the



1 U.S.A. The present day equivalent of that machine is
2 the chain saw.

3 4. I am appending to this memorandum some of my
4 letters that have appeared in print. From convenience
5 these happen to be all 1946, about half way through my
6 career of tax reform.

7 5. Also I am appending a Tax Sale Notice of that
8 same year. It has been my continual practice to let my
9 property go to the eleventh hour. This is in the hope
10 it would be a drop in the bucket towards tax change.

11 6. It is encouraging that B.C. has recently
12 initiated a "home-owner's grant", and is now to be doubled.
13 This is a substantial step in abandoning property
14 taxation provincially.

15 THE INCOME TAX
16

17 7. The requirement of a tax is that it be fair,
18 practical and successful.

19 8. To be fair each person should 'pull his share',
20 that is his "donation" (tax) to government should be
21 according to his ability in his relation with others and
22 according to the total sum of (money) effort required.
23 This mean, I submit, what we already have to some extent,
24 namely, the graduated personal income tax. It is
25 frequently admitted as the only fair tax. And, correctly
26 so for the purposes to which it should relate. Further,
27 it is a tax which delivers the goods, that is, it is
28 sufficiently successful in practice. With more concentra-
29 tion on its collection, which would be able to follow
30 removal of effort from other taxes, herein to be advocated,



1 could be made more successful still.

2 9. Nevertheless, here and there are people who
3 haggle over the personal income tax. Some even repudiate
4 the principle of the thing, cleaving instead to an opposite
5 pole, namely land taxation as a be-all and end-all. I have
6 attempted to argue such view with its advocates, but
7 have not met a response. On the other hand, those who
8 just haggle and while are understandable. The income tax
9 is so very real! They see it and it is painful; from
10 the pain it follows it must not be good. So they look
11 around for escape or relief.

12 10. These people argue it is too high. This is
13 agreed. Militarism, here, is the demon. Remove it!

14 11. They say it would not stand having other taxes
15 removed to it. If this is so then total taxation had
16 better be lowered! If equality of taxation makes for too
17 high a sum at all taxpayers' levels, then obviously, it
18 must be lowered, for the cloak must be cut according to
19 the cloth.

20 12. To illustrate the justice of the income tax
21 let us take the case of a land levelling job to be done
22 by a community. The poorest member, we will say, has not
23 even a shovel; the next one only a shovel; the next man
24 a team and scraper, whilst the top man has a bulldozer.
25 The first man is out, he can do nothing. The economy
26 of the second man now has to be considered. What is the
27 maximum time he should be expected to contribute to the
28 community good, and take from, correspondingly, his own
29 primitive struggling way of living? We'll say he works
30 for one day with the shovel. Jumping over to the next



1 man to the last with a bulldozer, should he use his
2 machine for a minute or two, just to equal that
3 accomplished by the man with a shovel? "Equal" share,
4 same as him? To do so would be to show enormous dis-
5 interest in the public cause, cramping the public under-
6 taking to next to nothing.

7 13. But, wait a minute, he has a point! Where there
8 is one man with a bulldozer there are thousands of shovel
9 men, let them do it!

10 14. Such would negate the graduated income tax
11 with a vengeance. Basically it would be abnormal selfish-
12 ness, normally self-frustrating, reducing the standard
13 of the public economy below all reason.

14 15. Wherefore it follows, anything to be done under
15 government auspices, whether that government be dominion,
16 provincial, municipal, or lesser authority, the highest
17 standard of the undertaking can only be accomplished by
18 the income tax.

19 16. To illustrate, again, if neighbours wish to
20 install a joint sewer the richer will have to contribute
21 a greater sum than the poorer or else have a sewer
22 standard set to the poorer man's ability. Inconsistent
23 to the wealth of the richer man and, assumably, obviously
24 at times, frustrating to him.

25 PROPERTY TAX
26

27 17. Taxes tied to property, as at present, are
28 causing this frustration all the time in inadequate public
29 services.

30 18. Municipalities and other organizations have to



1 give an eye, for practical purposes at least, if not for
2 humane or political ones, to the poorer taxpayers' ability,
3 in assessing his property value and setting the rate.
4 Even so, money by-laws that should pass do not do so.
5 To be consistent with their means, people have to vote
6 them down.

7 19. Property taxation at one end is a burden, at
8 the other a snap! But from a community point of view
9 is self-defeating.

10 20. A case is present in Winfield now. The District
11 needs street lights. Under present set up costs would
12 fall entirely on property. Anyone with high property
13 and low income naturally rebels. Consequently the measure
14 does not carry and the District, which in the right way
15 could easily afford it, goes without.

16 21. (Winfield is unorganized, but under a Provincial
17 Act, property can be taxed for street lights.)

18 22. (It is not argued that municipalities and other
19 forms of local organizations need be restricted to the
20 income tax alone.)

21 23. (The property in the area is receiving special
22 services and charges may be attached to property and "Main
23 Street" would continue to pay for its gaudy lights but
24 also the income of the businesses must be relevant; and
25 the same in the residential sections.)

26 24. (I understand some Cities in the U.S. already
27 use the income tax.)

28 " BUILDERS "

29 25. As I said at the beginning of this discourse,
30



1 there is constant tax restlessness in the tax world,
2 plenty of talk, plenty of vague and not so vague language.
3 Use of such terms as "shifting the tax burden", "more
4 equitable tax basis". There are charges against the income
5 tax, "killing incentive", prohibiting the rich from
6 accumulating and developing the country.

7 26. The last needs answering. It says in effect,
8 we are the building class, our style is cramped under
9 present excessive taxation. Ease us up so we can build
10 more. Seems reasonable?

11 27. If the amount being raised by the Dominion
12 Government is too much, and I have already agreed it is,
13 then this is the trouble to that extent. But any class
14 of taxpayer has the right to "save" and one voice cannot
15 receive any advantage over another. The graduation of
16 the tax must be acceptable so that all can save and thus
17 in larger or smaller ways be builders. I agree with
18 President Kennedy when he says a personal income tax
19 rate of 90% is ridiculous. Such a rate means the amount
20 being raised is unreasonable or the graduation too steep,
21 or both.

22 W R O N G T A X E S

23
24 28. Turning now to other taxes presently in use
25 by one governing body or another, to raise or add to
26 their revenue, are fines, licences, sales tax, death duties.

27 F I N E S

28
29 29. The first, fines, does not meet the ethical
30 test for it is profiting one body from some other bodies'



1 wrong doing. In this case the government who is trying
2 to influence and correct the wrongdoer is in an invidious
3 position when it should be in an impeccable one. To
4 "lift" dollars from the culprit and tuck them in its own
5 pocket is not going to raise the right emotions in the
6 guilty one.

7 30. What would put both parties in the proper frame
8 of mine would be for the fine to be incinerated -- this
9 hurts me as much as you!

10 31. (Under monetary change, hereinafter to be
11 referred to, this would become practical.)

12 LICENCES

13
14 32. Another undesirable tax is that by way of
15 license, and there are many of these. The most prominent
16 is the provincial motor vehicle licence.

17 33. Roads are public highways. They are for general
18 use, not particular use, yet motor vehicles are being
19 singled out, prohibited except by licence, to use them.

20 34. Roads and trails from primitive times are
21 accepted access ways, for man has an inalienable right to
22 move himself and his own anywhere over the face of the
23 globe. When roads are available, therefore he, as an
24 individual, uses them by right, not by privilege as some
25 have been drifting in to saying. This right is greater
26 than the law of trespass. Roads avoid trespassing.

27 35. Hence they are a responsibility of society in
28 general, not individuals in particular. Therefore the
29 income tax is the proper provider. And, of course, is
30 the tax that will provide the best roads as well.



1 36. (The licensing and franchising of highway
2 transportation I deplore from top to bottom.

3 37. Once upon a time franchising at least was not
4 done. In our community of Winfield, trucking businesses
5 thrived and built up under open competition.

6 38. The licensing of trucks, commercial or private,
7 is no way at all for paying for roads. It acts as a
8 substantial deterrent to the happiness, freedom and
9 prosperity of society.)

10 39. Why discourage the use of roads? Who should
11 discourage who? No, it can't be done. No one has a
12 right more than another to the free use of the highway.

13 40. (We would expect the road user to grant the
14 Ambulance, Fire Engine, etc., the privilege of prior
15 right. Therefore government establishing this privilege
16 as a "right" is accepted.)

17 41. Yet, discouragement, discrimination, restriction
18 is the status quo. How many car trailers, for instance,
19 are not used because of tax hindrance? How often is a
20 car used as a "work-horse", and vice versa, partly or
21 entirely because of tax hindrance? Why create a law
22 apt to be so inconvenient, by this way and other ways,
23 as to prompt it being broken? Consequently what is the
24 sum total of human frustration or trepidation borne? And
25 what is the sum total of pleasure or economic creation
26 that is never enjoyed or consummated because of tax
27 hindrance? Tremendous or little, it is enough even to
28 have one case corrected.

29 THE SALES TAX

30 42. Condemnation of this tax is so well know that I need



1 comment only on less emphasized features.

2 43. It is quite unethical in that it compels its
3 collectors to serve more than one master. It has
4 sloppiness in that every Tom, Dick and Harry is a govern-
5 ment sales tax collector. To some extent it leaves them
6 to be on their good behaviour.

7 44. It brings about complete economic foolishness.
8 An excellent illustration is the road gas tax. Users of
9 this, and "non tax" gas, have to have (farmers and others)
10 two storage tanks, outlets, hoses and valves, one set up
11 for ordinary gas and another for "purple" gas, the latter
12 not taxed the same. Inconvenient and expensive all around,
13 both for the user and the supplier. I would call it an
14 everlasting blow to human dignity; submitting to the
15 concept of a mind no larger than a pip. Give me my cheque
16 book! What is the sum total of all the taxation required
17 of me? And write it out like a man, I can, you can,
18 and the next can.

19 ESTATE TAXES
20

21 45. Death duties are morally repulsive. Whilst
22 the victim is alive, all is well. With death, vulture
23 like, there is a swoop down to "share in".

24 46. If there is an argument for breaking up too
25 large an estate, (I am not thinking of one), then go at
26 it directly for that purpose; distribute it, but don't
27 take a share, either. And don't charge for doing it!

28 CORPORATION - INCOME TAX
29

30 47. If a man owns a factory and makes a profit of



1 \$50,000 a year it is caught in his income tax. The cost
2 of government servicing his business, etc., is thus more
3 than taken care of.

4 48. Now, if he sells to a company whose shareholders
5 are all under tax brackets he will, assumably, still have
6 an income of \$50,000 from elsewhere so the government
7 will be unaffected in its tax revenue. To resort to my
8 earlier illustration he will be the man with a bulldozer
9 and the shareholders men without shovels. Therefore there
10 is no call in principal to tax corporations. As in things
11 human, expediency enters. The owner or shareholder may
12 be out of the tax paying area, or country. The ideal
13 solution is to have One World. Until then, arrangement
14 between countries as at present.

15 CAPITAL GAINS TAX
16

17 49. A capital gain is nothing more than a delayed
18 income catching up. Hence should be taxed as income.
19 It should not be taxed in full in the year received but
20 retroactively from the years in which it could be said
21 to have built up.

22 50. Losses of course must be allowed to offset
23 gain. No final settlement being possible until death
24 when the whole can be reviewed.

25 MISCELLANEOUS
26

27 51. WELFARE: Welfare should come out of tax revenue.

28 52. UNEMPLOYMENT: Alleviation of unemployment
29 should not come out of taxation. This leads into another
30 subject namely, money, to which I gave a great deal of



1 thought, and wrote a theory thereon, when a young man.
2 The plotting of this science of money led to the fact
3 the unemployed should be given "work and wages" on demand
4 and to any extent, payment to them being via "printing
5 press" money. Society being protected by the "variable
6 contract", then an uncreated term but now becoming
7 familiar.

8 53. Taxation to put the unemployed to work does
9 not necessarily have any effect on decreasing unemploy-
10 ment, because it has possibly stopped the taxpayer at
11 his end from keeping the economy on the go by the same
12 amount.

13 54. Unemployment is the result of somebody not
14 putting money to use. There is no call for the taxpayer
15 to rectify this. This "somebody's" inaction can be by-
16 passed by issuing new money. This balances the situation
17 immediately. There is no embarrassment to government, or
18 distress to society, how frequently and to what extent
19 this practice is carried out. It is in fact the only
20 correct way for new currency to enter society. (There
21 is no clash with bank created deposits - that is their
22 own business). The unemployed has not received "free"
23 money; he has worked for it. Society has not been
24 defrauded, it has received his labour.

25 55. Taxation does not of necessity aggravate or
26 alleviate unemployment. If it was provable on a given
27 occasion that it did one or the other, then it would do
28 so by chance, hit and miss. For this reason unemployment
29 should not be attempted to be cured by expenditure from
30 tax funds; nor even amelioration attempted by this way.



1 It should be strictly taboo to use taxpayers' money for
2 this purpose. For taxpayers are not responsible. Society,
3 in vague, is responsible. The government carries out this
4 responsibility by issuing "tickets" so that the "new
5 member" may enter the "club" -- the business world, the
6 world of exchange.

7 20% DEDUCTION
8

9 56. Much as I personally enjoy the tax deduction
10 on my dividends from Canadian companies this exemption
11 should be done away with.

12 BORROWING
13

14 57 Government borrowing is a perfectly legitimate
15 undertaking but should be a requisite only in a full
16 employed economy.

17 58. Borrowing to aid unemployment is completely in
18 error.

19 PAYING TAX
20

21 59. There should not be second class citizens
22 without cause. Wage earners should have similar dignity
23 to others, the right to pay their tax direct, themselves.
24 Time enough to declass them when each individual abuses
25 the right by defaulting payment.

26 FINALE
27

28 60. I submit, to use the Commission's expressive
29 words, that the tax structure requires surgery, to remove
30 much of it, and psychiatric treatment to popularize the



1 income tax. Medicine might be used in the Administration
2 of the Income Tax.

3 61. The privacy of an individual (and a Company) is
4 a right. The income tax invades one section of an
5 individual's privacy very seriously indeed. Consequently
6 the intrusion should be as considerate as is at all
7 possible. Therefore income tax officials should be
8 strangers to the taxpayers they handle. This means an
9 income tax office should not be used to tax in the area
10 in which it is situated.

11 62. Thus the comparatively recent setting up of
12 the Penticton Office is unfortunate for the Okanagan Valley,
13 certainly for Penticton. Penticton office had better
14 serve somewhere in Ontario.

15 63. Privacy, it should be noted, is exploded a
16 good deal more by the Income Tax than by banks. And
17 while banks may be necessary, their use is voluntary
18 whilst the Income Tax Office is compulsory.

19 64. I would mildly suggest that income tax assessors
20 loosen up in answering letters, though they need not
21 sign their name, but let us know there is a personality
22 at the other end. They should have enough confidence
23 and instruction to do this. In this way they will have
24 opportunities to assist in the psychiatric treatment.

25 65. I would suggest, further, that filing an income
26 tax statement be initiated in the schools, so that young
27 people will be cushioned into the shock of the real thing
28 later on.

29

30



Exhibit 1

THURSDAY, AUGUST 20, 1946

1946 Tax Sale of Lands and Mineral Claims

VERNON ASSESSMENT DISTRICT.

I HEREBY GIVE NOTICE that, on Wednesday, the 14th day of September, 1946, at the hour of 10.30 o'clock in the forenoon, at the Court-house (Government Office), Vernon, B.C. I will sell at public auction the lands in the list hereinafter set out, of the persons in said list hereinafter set out, for all taxes due and unpaid by said persons on the date of tax sale, and for interest, costs, and expenses, including the cost of advertising said sale, if the total amount of taxes due up to and including the year 1936, and interest thereon, together with costs of advertising said sale, be not sooner paid.

The Collector will be pleased to receive any information respecting the following list where the owner is or was a member of the Allied Forces and entitled to the benefits of section 2 of the "Taxation Act Amendment Act, 1939," or section 3, "War Veterans' Benefits Act, 1944."

LIST OF PROPERTIES

Name of Person Assessed	Short Description of Property	Taxes.	Interest.	Costs and Expenses.	Total.
	All in Osoyoos Division of Yale District.				
	Tp. 18, R. 8.	\$ c.	\$ c.	\$ c.	\$ c.
McNab, D. and Elizabeth.....	Fr. N.E. ¼ Sec. 30 (B984); Fr. N.E. ¼ Sec. 30 (B912); Fr. N.E. ¼ Sec. 30 (B913)	131.97	27.57	13.75	173.29
Stamberg, Jaroslav	S.W. ¼ Sec. 32	140.28	37.72	13.75	191.75
	Tp. 19, R. 9				
Russell, Frank	S.W. ¼ Sec. 26	191.97	35.75	13.75	241.47
Tomkinson, John Wesley	N. ½ of N. ½ and N. ½ of S. ½ of N. ½ of N.E. ¼ Sec. 26	42.58	8.00	13.75	64.31
	Tp. 8				
Kellor, R. R.; Taylor, Jane H.; and Ramaden, Win. (in trust)	S.E. ¼ Sec. 17	190.16	34.04	13.75	207.95
	Tp. 6				
Gibson, Wm. Jas.	S. ½ of S. ½ of S. ½ of E. ½ of N.W. ¼ Sec. 3	13.50	2.94	13.75	30.19
McClure, Hilda Mary	S. ½ of N. ½ of S. ½ of E. ½ of N.W. ¼ Sec. 3	12.00	2.34	13.75	28.09
Rickett, Wm.	S. ½ of S.E. ¼ Sec. 12	58.00	15.07	13.75	86.82
	Map 1285				
Melhado, H.	Lots 1 to 3, Bk. 6	30.64	5.89	12.75	49.28
	Map 1066				
Beynon, Ernest G.	Lots 3 to 6, Bk. 3	44.75	7.70	13.75	66.20
Beynon, Ernest G.	Lot 13, Bk. 3	14.25	2.54	13.75	30.51
	Map 1931				
Goulding, G. C.	½ int. in Lots 1, 2	12.33	2.57	12.75	27.70
	Map 216				
Donsley, Alexander C.	W. ½ Lot 11 (B907)	126.64	26.55	13.75	166.94
Bensley, Alexander C.; Pearson, Humphrey	W. ½ Lot 15	126.66	26.56	13.75	166.97
	Lot 19	234.67	50.23	13.75	298.65
	Map 473				
de Canuery, E. (deceased)	Lot 3	110.13	24.85	13.75	148.73
de Canuery, E. (deceased)	Lot 4	110.18	24.73	13.75	148.66
	Map 1211				

Exhibit II

Family Herald and Weekly Star, March 20, 1946

new income tax system but I don't quite agree with "Fair Play's" idea.—"AN INTERESTED READER," Ont.



"Dangerously Erroneous"

So many letters have been appearing in the Voice of the Farm lately protesting about the income tax and seeking avenues of escape in ways which are so dangerously erroneous, that I have wondered somebody hasn't put them right. The outbursts of course are the expressions of the feelings of those who are goaded at having taken from them an opportunity to catch up for the barren years of the depression. There must be a scapegoat for the payments, which admittedly are discouraging to ambition, so they attack the principle of the income tax. The guilty one is the war and the war only.

The war has brought many of us nice profits and the war takes it away again, via the income tax! The way of escape from today's excessive taxation is not by a sales tax, nor "hidden" taxes. But largely is a case of waiting until the soldiers, etc., become discharged and sums payable to them end; the ravaged battlegrounds become repaired and the hungry made self-supporting. To ease the income tax for the future there are things we must do, namely, war, never again. The end of nationalism will remove the burden of maintaining a peacetime army, navy and airforce. At home we would think twice of asking government for a hand out, if all costs are gathered into the income tax.

The principle of the income tax is sound and fair. Today what is the only accurate measure of anyone's ability to pay? Income! and if that income is below a certain point then no tax. We do not want to drive anyone lower than a given standard of living. If B calls A "loafers" because B pays 20 times the income tax A does, then so can the man 10 times richer than B call him that, and the billionaire call the millionaire it, too! If we have work for children to do should we parcel out the jobs to each irrespective of age and strength? No, the graduated tax is fair, and is the price of government. Any flat tax on a per capita basis (which is the direction of other taxes) should be fixed according to the ability of the poorest man to pay which, obviously, would be nil! Away with the property tax, the sales tax, the motor car tax (license) the radio tax, and the "hidden" tax!—ALEX C. BEASLEY, Kelowna, B.C.

Abolish Income Tax

I agree with Gordon McLaren, Pipestone, Man., in regard to income tax charges. It is certain

cents on the the 275,988 to piece.

Think how be if each of with all his just paid five lar's worth farmers hav page. The fee 8 percent ALIKE," Sai

Why Not

I agree m desires e Crawford in about the we poets and paper. I had gestion to ou answer is sl age," and does not ar The Observer "It would be to find 52 publishing." how the Obs the scheme

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Exhibit III

THURSDAY, MARCH 28, 1946

THE CAMERON REPORT

R.R. 1, Kelowna, B.C.,
March 25, 1946.

Editor, Kelowna Courier:

I have read the account in your last issue of Mr. Matheson's address to the Kelowna Gyro Club on the Cameron report on education. My criticisms are based on this and the summary of the report that appeared in the Vancouver Daily Province.

This report seems to contain the first rebuttal, with any attempt at plith, at the popular clamor over the past 20 years for abandonment of the property tax for school purposes.

And what an answer! It is a calumny on the Cinderella of the sciences, the science of economics, when Dr. Cameron calls upon it to support his strange reasoning. He argues that the property tax must stay.

To get away from this abhorrent school tax, municipal bodies, Farmers' Institutes, and individuals have petitioned government time after time pointing out its iniquity and asking for relief, and I at least was optimistic enough to hope this modern survey would at last spell finis to this obnoxious and archaic tax. That it doesn't do so is a direct slap in the face to all those efforts.

Dr. Cameron's argument is that the property tax can sort of be passed onto the cost of things generally (i.e. in the case of improvements, it admits the land tax is not so easy) so that, in this way, its incidence gets spread quite nicely over the population! The phoniness of this lies in that it "may" or it "can", not that it "does"; further, there is no indication that it hits according to ability to pay. It is as crude as cross-cutting a board with an axe. It lends one to suppose that to gain a revenue any old thing can be taxed and it will work out quite scientifically. For instance, we could tax domestic servants for the cost of B.C.'s road program. The tax would put the price of their services up and in this way they would be able to pass it onto the population generally!

No, the only proper way to gain a revenue for this type of service is to take it from where it is, not where it might be, and according to the amount there. Dr. Cameron would tax what's under a man's feet, or over his head, not what is in his pocket.

Consider this text from your account: "Dr. Cameron," Mr. Matheson stated, "shows conclusively that neither of these taxes (sales and income) is feasible for the specific purpose of education and that a moderate real property tax is the best way to reach many of those who should make a direct contribution; also that a moderate real property tax is generally fair in its incidence provided that assessments are made in a fair and scientific manner".

The use of the words "moderate" and "generally" give the show away. The income tax is fair without the use of any such weasel words, and it is the only tax which is too.

Yes, the property tax "can" be fair "sometimes". That is when the sum assessed happens to be exactly the same as would be the tax on an income basis. How often does that happen?

One has to conclude these academic contentions in Dr. Cameron's report are the result of his not being given a free hand, that the powers of arbitrariness and expediency laid down a dictum to him—"Bring in a verdict of retention of the property tax."

Anyone with a square foot of land, city or country, and in the lower income brackets should protest for all he is worth at the implementation of the financial part of the report, for it is real continuation of discrimination against him; and everyone else, too, for the cause of justice and decency should howl it down for picking on the little man—taking as it does, even, from the old age pensioner property owner himself.

Let us grow up and stick our hands in our pockets and bring out according to what is there—the price of government! No attempt at escape by ignorant or cunning devisement of some subtle tax which on the surface may look fine but

underneath is rotten for while it will shift the burden alight it will do so—unfairly. There is no escape. The graduated income tax hitches each of us to pull the cost of government, according to our strength, not as other taxes which hitch us in any old way.

ALEC C. BEASLEY.

Kelowna Courier - March 28th, 1946



Exhibit IV

LAND TAXES

R.R. No. 1, Kelowna, B.C.,
Sept. 2nd, 1946

Editor, Kelowna Courier:

A recent issue contained the provincial government's Tax Sale List. As much as ten years' taxes are due against these properties, nine being delinquent. No tax sale has been held since 1938, and that cleared up only part of the then owners. These taxes are, of course, levied in rural areas for education and other government expenses. In the cities, where local government taxes for similar purposes, tax sales are held annually. This has given a definite advantage to the rural dweller who has deferred payment of his taxes for he can now pay off the dear, scarce, depression dollar with the relatively cheap, easy to get 1946 one. Interest on the arrears being no disadvantage as the rate is a reasonable one.

If it was right for the cities to hold their tax sales annually, then surely should not the provincial government have held its own regularly too? If the answer is there was poverty in the country and it would have been a hardship, wasn't there some poverty in the city also? If it was wrong to force collection in either place, then why levy the tax at all, for surely if it is fit to levy a tax it is fit to collect it promptly as well?

The answer is, as we know, that it is completely wrong in the first place to use property as the basis of taxation. The basis should be ability to pay. That means the graduated income tax. This is a self-evident, fair means for meeting the cost of education, policing and the like.

All this is well known for the cry for reform has come, over the years, from every quarter. Hardly a public body can meet at sometime or other without going on record in this respect. Coast editorials frequently hammer away. The Courier's own pages, some time ago, carried a copy of an excellent brief

by J. E. Reekie, of Kelowna, giving the argument for a change in the tax basis in detail. The Family Herald and Weekly Star also carried a feature editorial on the same subject.

Yet, still no movement from the government. In fact, the reverse. It has settled itself down tighter than ever. For out of its recent survey of education comes the dictum—no change! Thus invalidating modern thought and progressive economics, and running directly counter to the public's persistent cry.

Is it any wonder that wars even-tuate, the world over and history through, when the keepers of the Status Quo refuse to open their door when justice knocks? For where there is one with the patience of a Ghandi there are many who will try to smash in that door.

And who gets the onus of "starting" the war, the power corrupt holders of the status quo or the attackers thereon?

But this is getting beyond the subject.

In the same issue of the Courier is an item that Summerland is now for the first time in history taxing improvements and it goes on to say how unequally the burden falls. Some taxpayers can chuckle, others groan, according to whether they are "light" or "heavy" on improvements. Property taxation is just like that. It has no science, no sense, no feeling; it is utterly callous and ruthless and if anyone supports it it must be because he thinks he can be a "chuckler".

The provincial and dominion governments love banding around about "fields" of taxation. Just as if there was more than one "field"! There is only yours and my pocket out of which money can come and this juggling with "fields" is but astute artifice to jog the burden from you to me or me to you.

Yours truly,

ALEC C. BEASLEY.

Kelowna Courier - September 12th, 1946



Exhibit V

***Liquor Situation Good –
Sales And Fines Booming***

The liquor situation is always "good" in Vernon. Every month the RCMP report is read at City Council, and every month, following a report on the number of liquor cases, the phrase appears "Liquor situation good."

Monday night at City Council meeting Mayor E. B. Cousins questioned the statement.

"What does it mean?" he asked.

Said Alderman Franklyn Valair: "It's the RCMP way of saying that both the sales and fines are holding up well."

An instance of a
tax that demeans.



SUBMISSION BY:

Mr. A. F. Henshaw
1007 Regan Crescent,
Trail, B.C.

P E R S O N A L I N C O M E T A X

SUMMARY OF SUBMISSION

(1) WHAT IS INCOME?

A new approach should be made in answering this question - In addition to present allowable deductions and exemptions, listed on Income Tax forms, there exist many other expenditures by the taxpayer, which detract from his real income. Such as: Interest and Carrying Charges on the purchase of home and property, automobiles, loans. The cost of transportation from place of residence to place of employment. Special tools and clothing required in the course of his work. Taxes paid out to the Federal, Provincial and Municipal Governments in the form of Sales Tax, Gasoline Tax, etc. These burdens should be exempt from income tax. I hope to show in the main body of my submission, just how these burdens eat into a personal income, lowering the standard of living.

(2) INTEREST

Interest received by the taxpayer is required to be listed as income and is taxable. This, in all fairness, should work in reverse also. The taxpayer should be allowed to deduct from gross income, that part of his income paid out as interest.



1 (3) INTEREST LOST BY TAXPAYER

2 There are several ways in which this loss
3 may occur. Income Tax withheld by an employer, is actually
4 paid in advance for periods of three to fifteen months.
5 If the taxpayer had invested this money, with the
6 intention of paying his income tax in a lump sum when due,
7 he could have earned interest on it. If the taxpayer
8 has a refund coming from the Income Tax Department he
9 receives no interest on it, although the department has
10 had the use of the money for some time. Also unfair,
11 especially as any late payment by the taxpayer is subject
12 to a penalty rate of interest. In both cases I suggest
13 that the tax payable be reduced by the interest the
14 taxpayer would have earned on the money in question, had
15 he, for instance, been able to invest it in Government
16 Savings Bonds.

17 (4) COST OF EARNING A LIVING

18
19 This includes transportation costs, special
20 tools, clothing and equipment needed in the course of
21 earning one's income. There are two categories here:

22 (A) Two taxpayers, with the same gross income, can,
23 due to the above drain on his salary, differ in real
24 income by several hundred dollars yearly, yet both are
25 required to pay the same income tax.

26 (B) Salesmen, businessmen and possibly others, under
27 similar conditions of employment, appear to receive
28 preferential treatment from the tax department in re-
29 gard to their travel costs, depreciation on vehicles
30 and equipment. I will endeavour to show in the submission



1 the extent to which this can effect an average wage-
2 earner.

3 EFFECT ON TAX SYSTEM ON LIVING STANDARDS
4

5 I will show in the submission how the tax
6 system affects my own standard of living. Not having
7 any statistics on the subject, I am limited to a personal
8 view.

9 WHERE WILL THE REVENUE COME FROM? IN THE EVENT THAT
10 TAXES ARE REDUCED?

11 The solution appears to be in the reduction
12 of Government spending, particularly Defence, Foreign
13 Aid and Welfare. The very size of the Federal Government
14 is a fault. We are over-represented for a country of
15 Canada's population. We have a larger per capita
16 representation than most nations in the world. The cost
17 of maintaining this unwieldy legislative Structure must
18 be staggering.

19 A more determined nation-wide effort should
20 be made to attract tourist dollars.

21 It is probable that a reduction in various
22 personal and business taxes would spur the economy of
23 the country to a great extent. This appears to be the
24 belief of the President of the United States, in regard
25 to his country. Since Canada's economic structure
26 follows closely that of the U.S.A. the same pattern would
27 seem a reasonable conclusion here.

28

29

30



S U B M I S S I O N

(1) WHAT IS INCOME?

Under the existing laws, income is regarded as money received by the taxpayer in the form of wages, tips, interest, living allowances, etc. It is recognized that a taxpayer with dependents, who has extraordinary medical expenses and pays his union or professional dues, is entitled to a reduction of tax payable, on the basis that his income has been reduced accordingly. There exist a number of other burdens which face the taxpayer that are not recognized as such under existing laws. These include interest and finance charges, taxes paid to the various levels of government, money spent solely in the course of earning an income. These all have one thing in common: They detract from the income and should be defined as lost income and should be deductible from gross income for tax purposes. I contend that only income that is usable by the taxpayer should be subject to taxation. Excluding the above, usable income would include that part of his income which remains to him to buy the necessities of life, some savings and investments, pleasure, transportation, income tax, etc. It is possible, as I will show, that two people with the same gross income, can differ in usable income by amounts in excess of a thousand dollars, but are subject to the same tax.

One can rent a furnished home or apartment, with no loss of usable income, the other, purchasing a home, will pay hundreds of dollars for interest and local taxes during the year.



1 One may live within walking distance of his
2 work, the other may, due to the lack of housing or
3 suitable land near his work, be forced to spend several
4 hundred dollars a year in transportation costs in the
5 course of earning his income. In summation then, we have
6 a possibility of extreme difference in usable income, in
7 living standards between two people with the same
8 nominal gross income. It would seem reasonable that the
9 man with less usable income is in the position of being
10 less able to pay income tax than the one whose usable income
11 is very close to his gross income. It is not unreasonable
12 then to ask for a reduction in taxation owing to reduced
13 ability to pay.

14 (2) and (3) Were self-explanatory in the Summary, other
15 than the amounts involved. It should be emphasized that
16 the average interest received by a taxpayer in the low
17 or average income bracket, amounts to a minute part of
18 his gross income, in most cases, yet he is required to
19 include this minute part of his gross income and pay tax
20 on it. On the other hand, he may pay several hundred
21 dollars a year in interest on mortgage payments,
22 automobile payments, appliance purchases, which reduce
23 his income by hundreds of times the amount that interest
24 received increases his income. The Income Tax Department
25 ignores this completely.

26 COST OF EARNING INCOME

27 This actual loss of income can reach large
28 proportions. In my own case, ten to 15% of my gross
29 income is expended in cost of driving to work. I live
30



1 twelve and one-half miles from work, which is as close
2 as I can find, running water, sewerage system, stores,
3 schools and other adjuncts to a reasonable standard of
4 living. There is no public transportation available,
5 so I am forced to own an automobile with the attendant
6 costs of depreciation, tires, gasoline, insurance, re-
7 pairs and licence fees. I drive 6,000 miles per year
8 back and forth to work. As nearly as I can calculate,
9 it takes a minimum of 10¢ per miles to operate a small
10 car and about 13¢ per mile to operate a full-sized car.
11 Thus my cost per year in earning my income, amounts to
12 \$600. to \$780. dependent on the size of car. As my
13 gross income is roughly \$6,000 per year, the cost of
14 earning my income amounts to 10 to 13% of gross income.

15 It is my understanding that a salesman who
16 uses his own car in the course of his selling (his way
17 of earning a living) can, first of all, buy an automobile
18 without paying certain taxes, federal or otherwise.
19 In addition he can claim exemptions on income tax for
20 depreciation, gasoline, tires, etc. purchased for this
21 car with which he earns his income. This same automobile
22 in many cases, doubles as the family car. This man is
23 obviously compensated for the expenses incurred in
24 earning his living. The man who drives to work and
25 spends \$600. to \$800. in doing so is just as much out
26 of pocket as the salesman, whose driving expenses are
27 approximately the same amounts during the course of his
28 sales. Furthermore, the salesman would have part of the
29 expense involved in the use of his car, for personal
30 transportation, reduced, due to the exemptions provided



1 on the use of the same car as a business vehicle. A
2 businessman could come under the same set of conditions,
3 in that he can use a business vehicle for his own
4 personal use, and have part of the personal use costs
5 subsidized by the business deductions allowed.

6 I would recommend that in all cases where direct
7 loss of income is experienced due to transportation
8 costs, that this reduction be deductible from gross income.
9 Since we have a free-enterprise, democratic way of life
10 in Canada, it appears unreasonable that a distinction
11 be made by the Tax Department, a Government Agency, as
12 to whether a man earns his living by (A) Working for an
13 hourly, weekly or monthly salary (B) Working for a
14 salary plus commission (C) Making a profit on business.
15 This certainly seems to be the criterion by which the
16 present section of the tax laws deal with the problem
17 of transportation expenses, to the detriment of the man
18 who works for a fixed salary.

19 EFFECT OF TAX SYSTEM ON LIVING STANDARDS
20

21 I earn approximately \$6,000. a year gross
22 income, of this over \$600. is paid out in Income Tax,
23 over \$600. in transportation to work. An estimated \$500.
24 in interest and carrying charges on home, automobile etc.,
25 plus an unknown amount paid out in hidden taxes and obvious
26 taxes, such as Provincial Sales Tax of 5%.

27 Therefore, my usable income has been reduced
28 by roughly \$2,000. or one-third. Consequently I am
29 buying what may be considered a sub-standard Veteran's
30 Housing Development house, valued at \$5,400. I own



1 a small English car, four years old, primarily because
2 of the savings possible in gasoline, tires, etc., which
3 become very important when one drives 6,000 miles a
4 year to work. I spend far more on preventive maintenance
5 on the automobile than if it was used solely for
6 personal transportation. When an automobile is essential
7 in order to reach one's place of employment, it must be
8 dependable at all times. It is also necessary to replace
9 parts in anticipation of failure, an additional cost.

10 My only personal savings possible, amount to
11 about \$20. a month in the form of Life Insurance and
12 Pension Plan. I would like to have more money available
13 to invest in Canadian minerals and oil and also a
14 business venture.

15 Assuming that taxes were reduced, particularly
16 by way of exemptions for interest paid, travel costs,
17 taxes other than income tax paid, my standard of living
18 could be raised by having more usable income for home
19 improvement, better transportation, more personal
20 savings or investment. Also I have very little money
21 left after providing the necessities of life to contribute
22 to the church and charities, certainly an undesirable
23 condition.

24 WHERE WILL MONEY COME FROM IN THE EVENT OF TAX REDUCTION?
25

26 In addition to those listed in the summary
27 a few others come to mind.

28 (A) The practices of government that result in
29 questionable or wasteful spending might well include:

30 The purchase of aircraft missiles, which are obsolete



1 by the time of delivery and therefore useless, also the
2 policy of purchasing missiles with no war heads, also
3 all the rest of the millions of dollars that are going
4 down the drain for so-called defence. Is Canada, with
5 its vast area and small population defendable, even if
6 there were unlimited funds to draw upon?

7 (B) The practice of moonlighting (working at more
8 than one job,) bears investigation. In addition to the
9 questionable ethics and greed involved, there is also
10 the financial aspect. I would estimate that many of
11 these second jobs, held by a person holding a full-time
12 well-paid job, could be filled by persons who are at
13 present receiving welfare payments from the government
14 at added cost to the taxpayer. Restrictions should be
15 imposed to allow the unemployed the first opportunity
16 to obtain jobs. Frequently a man earning a good salary
17 at his regular job, will work for substandard wages
18 and under adverse conditions at a second job. Employers
19 are well aware of this and prefer to take advantage of
20 the situation rather than pay a legal wage to someone
21 who really needs the employment or is currently being
22 supported by the taxpayer.

23 (C) There seems to be an increasing tendency by
24 all political parties to make Canada into a large welfare
25 state at added cost to the taxpayer. There are those
26 who are chronically ill, or unemployed through no fault
27 of their own, mentally ill, deserted by wage-earner of
28 family etc., who need and deserve welfare. Those
29 fortunate enough to be well in body and mind and well
30 able to maintain a good standard of living, should be



1 obligated to contribute to the welfare of those less
2 fortunate.

3 On the other hand, we have the give-away'
4 practices, where people with a good income, maintaining
5 a high standard of living are given an unnecessary
6 children's allowance. Then there are also many older
7 people who have contributed to private pensions and
8 employee pension plans, and are receiving a comfortable
9 living, yet they are given an Old Age Government Pension
10 in addition. I would suggest that the children's
11 allowance be graduated, giving the full allowance to the
12 families in the lower income group and reducing it
13 accordingly to those in the higher groups, until a point
14 is reached where it is eliminated.

15 Basically these political plumbs of welfare
16 are unsound and should be given according to need, not
17 handed out to everyone in the country for the reason of
18 attracting votes at election time.

19 Statistics show that, in those countries where
20 the welfare state has taken over, there appears to be a
21 lack of personal initiative and drive by the individual,
22 a tendency to look to the government for all things,
23 and a subsequent lowering of the country's stature in the
24 eyes of the world.

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ANGUS. STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

SUBMISSION

to the

ROYAL COMMISSION ON TAXATION

From

E. LANGEMANN

5140 SANDERS STREET

BURNABY 1, B.C.



1 SUBMISSION TO THE ROYAL COMMISSION ON TAXATION

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5 BURNABY 1, B.C.

6 This submission is concerned mainly with the
7 Federal Sales Tax. The first section is a general
8 discussion of the tax, and the second section presents
9 some suggestions for improving the application of the
10 tax. The third section deals with a special feature of
11 certain customs tariff items.

12 I Advantages and Disadvantages of the Federal
13 Sales Tax and Recommended Changes

14 It is rather difficult to find any advantages
15 in this tax in its present form, and therefore this part
16 of the discussion is rather limited.

17 On the practical side, it must be conceded that
18 the sales tax does provide a substantial source of
19 revenue to meet the needs of the government. Assuming
20 that one of the goals of a tax is to raise revenue, this
21 tax must be counted as a fair success, since it provides
22 annual revenue approaching one billion dollars.

23 This tax is specially advantageous to two
24 groups of people. First, there are the politicians who
25 are interested in financing vote-catching schemes without
26 arousing the ire of the general public from whom the
27 money is collected. The general public is only vaguely
28 aware of the sales tax, since it is rare that individuals
29 ever see the tax added, as such, to their ordinary
30 purchases.



1 The second group to whom the sales tax is
2 advantageous consists of those persons who are interested
3 in expanding the sphere of government influence. This
4 group would include some members of the civil service.
5 Here again, the sales tax provides a convenient source
6 of revenue which does not upset the general public from
7 whom the tax is actually collected.

8 The disadvantages of the Federal Sales Tax are
9 more numerous. Some of the more undesirable features are
10 outlined below.

11 1. The advantages to politicians and others men-
12 tioned above actually have a contrary result to the
13 general public. The hidden nature of the tax is deceptive
14 to the public. Many people are led to believe that they
15 actually receive benefits from the reallocation of incomes
16 effected by the federal government. Insofar as the
17 revenues for these purposes are derived from the sales
18 tax, the persons who receive the benefits are actually
19 the ones who pay the tax in the first place.

20 The advantages to those who advocate the
21 expansion of government spheres of influence is also a
22 disadvantage to the general public. Here again, the
23 sales tax deceives the public by not disclosing the cost
24 of an expanding civil service. Thus the tax facilitates
25 the absorption of the nation's resources into non-
26 productive government projects.

27 2. The sales tax disregards the principle of
28 levying a tax according to the taxpayer's ability to pay
29 the tax. The sales tax applies particularly on goods
30 which are purchased by those in the lower income strata,



1 or on goods which are essential to the production of the
2 ordinary goods and services. Examples are clothing,
3 household articles, automotive products and items used
4 for transportation purposes. It should be conceded that
5 some recognition has been given to this principle in that
6 many items related to food and shelter have been exempted
7 from the sales tax.

8 However, the expenditures of those with better
9 incomes is directed largely towards non-taxable purchases,
10 such as travel and other services. Therefore, the
11 proportion of an individual's income taken by the sales
12 tax varies inversely with the amount of his income.

13 3. Another disadvantage of the sales tax is the
14 difficulty of controlling the amount of revenue brought in
15 having regard to changes required by government fiscal
16 policy. It is doubtful if the revenue authorities
17 could predict with practical accuracy the total effect of
18 tax rate changes. Control by adding to or subtracting
19 from the list of taxable items is also indefinite as to
20 the end results. It would appear that there have been
21 attempts to control the amount of revenue by relaxing or
22 by tightening the administration of the tax. This method
23 is also inaccurate, and considerable inequities besides.

24 4. The difficulty of administering the sales tax
25 is a very great disadvantage. By its very nature, the
26 Federal Sales Tax involves a vast number of border line
27 cases. Every product, every manufacturer and every type
28 of transaction must be ruled upon. Moreover, it is not
29 possible to base decisions on accepted principles, such
30 as may be done in the case of determining income.



1 Instead, decisions are arbitrary, as may seem fit to those
2 officers responsible for this work. This is not meant
3 to criticize these officers, since they act under the
4 authority of the wide discretionary powers granted by the
5 Excise Tax Act.

6 5. Closely related to the previous item is the fact
7 that the sales tax is vulnerable to political inter-
8 ference. Since there are these wide discretionary powers,
9 it is easier for individual politicians to arrange for
10 special cases than is possible with the Income Tax.
11 Such interference only serves to increase the inequities
12 which are already overabundant.

13 6. This has a number of disadvantageous effects on
14 business. First, the arbitrary nature of the tax tends
15 to redirect the methods of business out of natural
16 channels. Production methods and distribution systems
17 must be adjusted by businessmen in order to obtain the
18 best tax advantages. The competitive positions of
19 various goods and services are also effected, all of
20 which tends to hinder the maximum production of goods
21 and services.

22 The sales tax is particularly discouraging to
23 the establishment of new businesses. The costs of
24 setting up a new business are subject, directly or in-
25 directly, to this tax, thereby causing added burdens to
26 those who would embark on new business ventures. This
27 effect is particularly evident in the case of secondary
28 industries and in service lines, which are needed to
29 develop a mature economy.

30 In the case of businesses producing taxable



1 products, the sales tax causes a reduction of the volume
2 of business at which profits are at a maximum. A larger
3 volume of production, employment, etc., would result if
4 the tax were removed, at least in industries which are
5 fairly competitive.

6 The sales tax tends to subsidize foreigners who
7 might be in a position to compete with businesses in
8 Canada. Their costs are not magnified by an 11% sales
9 tax, and if other things are equal, they have a better
10 competitive position.

11 7. The sales tax is also disadvantageous in that
12 it tends to amplify retail prices by more than the
13 original tax at the manufacturers' level. For example,
14 an article valued at \$10.00 at the manufacturer's level
15 bears a tax of \$1.10. If the mark-up of the distributors
16 is 50%, then the retail price would be \$16.50. Without
17 the sales tax, the retail price would be only \$15.00.
18 Thus the original tax of \$1.10 is inflated to \$1.50 by
19 the time the article is purchased by the consumer. Thus
20 the sales tax contributes to high prices, which cause
21 considerable difficulty in the Canadian economy.

22 23 Conclusions

24 In view of these formidable disadvantages,
25 serious consideration should be given to making some
26 drastic changes in the Federal Sales Tax. The objective
27 should be to completely remove this tax.

28 Most of the difficulties mentioned above are
29 not found or are not as serious in a tax based on indi-
30 vidual incomes. Therefore, an increase in the income tax



1 would be a good way to replace the revenues from the sales
2 tax. It is even possible that the removal of the sales
3 tax would stimulate production so much that there would
4 be an automatic increase in income tax revenues.

5 A further source of revenue to replace the sales
6 tax could be found in a capital gains tax. Such a tax
7 would do much to bring greater equity into the Canadian
8 tax structure. Also, this tax would remove much
9 difficulty from administering the income tax laws, provided
10 the rates were the same as on ordinary income.

11 The mechanics of these fundamental changes would
12 have to be worked out very carefully, so as to avoid
13 confusion and violent disruption of present business
14 practices. Elimination of the sales tax could be achieved
15 either by gradually reducing the tax rate, or by
16 increasing the list of exempt products. As the number of
17 exempt items grows, the taxable items could be listed as
18 in the present manner for the excise tax.

19
20 II Suggestions for Improving the Administration of
21 the Federal Sales Tax

22 The complete elimination of the sales tax is a
23 fundamental change, and therefore it is quite likely that
24 this tax will continue to exist for a long time.
25 Therefore it is felt that suggestions for improving its
26 administration will be of practical value.

27 1. Tax rulings are very important in the applica-
28 tion of the sales tax laws. An improvement would require
29 the Department to make all rulings available to all
30 persons who might be interested. An improvement would be



1 a system of cards containing all rulings issued, located
2 in the major centres and freely available to accountants
3 and the public in general. It is stressed, in the
4 interest of equity, that all rulings should be made
5 available.

6 A further suggestion regarding rulings is that
7 the Department should notify, wherever practical, all
8 those who are affected by changes in policy. This is not
9 done at the present time, and is the cause of much un-
10 fairness.

11 2. An increase in the participation of the account-
12 ing profession in matters related to the Federal Sales
13 Tax is necessary. This profession has been remiss in
14 failing to assist the business public in this area. Much
15 could be accomplished if accountants and auditors would
16 educate themselves in matters relating to the sales tax,
17 and if they would apply this knowledge to the affairs of
18 business. It is difficult to understand why public
19 accountants are not as conversant with the sales tax as
20 they are with the income tax.

21 3. It is advocated that non-profit organizations be
22 exempted entirely from the sales tax. This would include
23 institutions such as schools, universities, municipalities,
24 charities and the like. At present there are special
25 exemptions for certain items purchased by these
26 institutions, but it would be much simpler and fairer if
27 they were given blanket exemptions. This has been done
28 in case of hospitals, which seems to be working very well.

29 4. The application of the sales tax to bad debts
30 should be eliminated. Businessmen have enough trouble



1 with bad debts without having to pay tax on such accounts.
2 This hardship should be recognized, as is done in the
3 case of provincial sales taxes. It would likely be
4 necessary to exclude licensed wholesalers from this
5 exemption in order that there be no unfair advantage
6 over unlicensed wholesalers.

7 5. It is recommended that the Department recognize
8 amended contracts in granting tax exemptions and refunds.
9 Presently, the Department will not permit exemptions
10 where contracts have not been drawn up according to the
11 prescribed manner, even if they are amended at a later
12 date so as to comply. This policy is unfair to contractors
13 who are not aware of the Department's requirements.
14 There is also doubt as to whether this policy is legal
15 under the Excise Tax Act.

16 6. The application of the tax to the manufacture of
17 boats should be changed. Presently, it would appear
18 that the Department does not regard the manufacture of
19 one boat to be a taxable operation, even if the value
20 exceeds the small manufacturer's exemption of \$3000 per
21 annum. Thus, individuals who are wealthy enough to
22 afford large expensive boats are able to avoid the tax,
23 but those with modest means who purchase smaller boats
24 through the normal retail outlets must pay the tax.

25 7. It is suggested that some changes be made in
26 the present method of training and promoting sales tax
27 auditors. Some advances have been made in recent times
28 with regard to training auditors, but a more formal
29 system should be organized. The methods used in the
30 Taxation Division seem to be very progressive, and might



1 be used to good advantage in the sales tax audit branch.
2 Considerable emphasis should be placed on general
3 principles, so as to give the new auditor a better under-
4 standing of his function in the tax system. A thorough
5 knowledge of the many peculiarities of the sales tax
6 should also be obtained before a new auditor is allowed
7 to work without supervision.

8 Regarding promotion policies, too much emphasis
9 is placed on the auditor's record of tax assessments
10 and refund cancellations. While these features have a
11 tendency to reveal auditing proficiency, the present
12 emphasis is overdone. The result is hardship and un-
13 fairness to the taxpayer.

14
15 III A Suggestion Regarding Import Duties on
16 Materials Used in Manufacturing Tax Exempt Goods.

17 Certain custom tariff items exempt articles from
18 import duties, but not materials used in making the
19 finished articles. In such cases, the products of foreign
20 manufacturers bear no duty, but if they are made in
21 Canada, the domestic manufacturer must pay the duty on
22 imported raw materials.

23 These omissions encourage the production of
24 such articles in foreign countries instead of in Canada.
25 It is suggested that these tariff items be extended so
26 as to include the component raw materials.

27
28
29
30



Administration of the Demands for Payment of Income Tax

Summary. There is a lack of sufficient communication between the assessing and collecting authorities: administrative convenience, in reassessments, is sometimes given priority over justice.

1. In taxation year 1961, the author of this submission completed the closure of a section of his business, making a terminal profit which was declared and tax paid. Later, the Department used its power of reassessment to shift this profit back to 1960, a year of higher tax bracket, on grounds which were later largely agreed to. Demands for payment were made accordingly for additional 1960 tax payments. However, the taxable sum concerned had not been transferred from 1961 to 1960, it had merely been added to 1960 with no corresponding subtraction from 1961, and as this happened more than 90 days after the last reassessment of 1961, it left the taxpayer no right of appeal for credit for 1961. Payment was refused, not on the inadmissible ground of the pending appeal re 1960, but on the grounds that the assessment was in itself ultra vires, since it occasioned a doubled income taxation without legislative sanction, though offer of payment for the 1960 debit less the 1961 credit was made. This was pointed out by letter to the collection branch, and by interview and by direct provision of a copy of the appeal to the Toronto



1 assessment branch, who claimed that they could
2 not very conveniently do such multi-year re-
3 assessments at one time. Despite this, no later
4 reassessment for 1961 has been received, but
5 written and telephone demands for payment have
6 continued, with threats of writs. The Department
7 already has powers, denied any ordinary creditor,
8 of enforcing payment on subjudice disputed debts:
9 such power should be balanced by a sense of
10 responsibility in its use, and it should certainly
11 not be used when evidence of administrative error
12 has been alleged but not examined.

13
14 Edwin M. Meade.
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ROYAL COMMISSION ON TAXATION

HEARINGS

HELD AT
VANCOUVER
B. C.

VOLUME No.:

DATE:

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REPRESENTATION SUBMITTED BY:

B.C. BEEF CATTLE GROWERS ASSOCIATION

Mr. Chairman and Members of the Commission:

I We are an association of beef cattle producers through affiliation of 22 local stockmen's associations covering the lower mainland and the interior of British Columbia including the Kootenays and the Peace River Block.

The objects of the Association are:-

To promote, encourage, develop and protect the beef cattle industry in the Province of British Columbia.

To represent the producers of beef cattle in the said province in all matters in which they are general interested.

To co-operate with associations, societies and organizations having objects in whole or in part similar to those of the Association.

To co-operate with Federal and Provincial Governments to secure the enactment of necessary legislation and the enforcement thereof, and the improvement of transportation and market conditions in connection with the industry.

If considered desirable, to promote, and/or operate marketing organizations and to promote and/or hold auction sales of livestock as, when and where may be deemed necessary or advisable in the interests of the members of the Association.

The conditions of membership are:-

Any association or combination of two or more



1 associations, duly incorporated under the
2 Societies' Act of B.C., the membership of which
3 consists of a total of ten or more members in
4 good standing, all being actively engaged in
5 the production, or production and finishing of
6 beef cattle, in the Province of British Columbia
7 and the total of whose cattle combined amount
8 to a minimum of 1,000 head, shall be eligible
9 for membership.

10 II Our submission is on the incidence of taxation
11 by the Government of Canada as it affects our members
12 and on the ways in which we believe our industry's con-
13 tribution to the Canadian economy as a whole is affected
14 by the taxes imposed by Federal legislation.

15 Under the heading of Income Tax we comment on
16 the basic herd and make suggestions for improving the
17 application of the principles embodied in it. We also
18 consider production incentives and what could be done to
19 increase production.

20 We make reference to valuation of inventory
21 only to say that we may be obliged under certain circum-
22 stances to ask leave to make a supplementary submission
23 on this.

24 Under the heading "Estate Taxes", we discuss
25 the effects, as we see them, of inheritance taxes on the
26 ownership and operation of cattle ranches in B.C.

27 The last heading "General" refers to the
28 relations between our members and the taxation division
29 personnel.



1 III INCOME TAX

2 BASIC HERD

3
4 Under the Basic Herd Directive it is possible
5 for a rancher to establish a portion of his herd as
6 capital.

7 Without it, the rancher, especially if he is
8 making his returns on a cash basis, has no way of obtaining
9 recognition by the Taxation Division of the Department
10 of National Revenue of the capital nature of his invest-
11 ment in livestock.

12 We have little fault to find with this Directive
13 and before listing our suggestions for its improvement we
14 should like to say to you, Mr. Chairman, that in our
15 opinion this Directive has been fair in its operation both
16 to taxpayers and to the Government. It is, we believe,
17 essential that when a man has an investment in cattle this
18 should be recognized which is the purpose of the Basic
19 Herd Directive.

20 Our suggestions for improvement are:-

21 (a) That the provisions of the Directive be incor-
22 porated in the regulations made under the Income Tax Act.
23 At present the taxpayer has no actual right under the law
24 to have the Directive applied to his case, nor to contest
25 any rulings or interpretations made by staff of the
26 Taxation Division in applying the Directive.

27 (b) Fair Market Value

28 In all instances where fair market is referred
29 to in the Act or in the Basic Herd Directive, it is the
30 practice of the Taxation Division to interpret this in the



1 following manner.

2 If a taxpayer is adding to his basic herd the
3 cattle so added are valued for purposes of tax at the
4 average per head price received for mature animals sold
5 by the taxpayer in the taxation year. Because the animals
6 sold are not necessarily of the same class and kind as
7 those added to the basic herd, we think that is not a
8 proper way to establish fair market value and we propose
9 the definition which follows:

10 "Fair market value shall be the average net
11 selling price of the same class and kind of
12 animals sold in the taxation year. If no animals
13 of the same class and kind have been sold by the
14 taxpayer in the taxation year, then fair market
15 value shall be ascertained by taking the average
16 selling price of animals of the same class and
17 kind at the nearest public market, less transport
18 costs from the taxpayer's farm or ranch."

19 We submit that this method of arriving at fair
20 market value should be used when cattle are added to a
21 basic herd, under Section 6 of the "Instructions for
22 Establishment of a Basic Herd" and whenever it is necessary
23 under the Act to arrive at fair market value.

24 IV PRODUCTION INCENTIVES
25

26 We believe that the incidence of taxation can
27 and should be devised so as to encourage increases in
28 production of desired commodities. Beef cattle are a
29 commodity which we have been told the Government of Canada
30 believes should be increased. In British Columbia,



1 increases in production of livestock require that addi-
2 tional land should be cleared of trees. Often, as well
3 as land clearing, new fences, new buildings, irrigation
4 works and corrals or pens must be built.

5 These new works often require a very considerable
6 outlay of capital and at present not more than the annual
7 depreciation is allowed under Part XVII of the Income Tax
8 Act and no allowance is made for land clearing. We
9 believe that, because the actual increased returns to the
10 rancher from such new works in the first year of opera-
11 tion may well be less than anticipated, due to unforeseen
12 difficulties commonly found in such works when first
13 operated, the cost should be apportioned 25% to allowable
14 expense and the remaining 75% to capital assets.

15 Such a provision would, in our opinion, be no
16 more favourable to our industry than are exemptions
17 granted in the first years of mining and other industrial
18 operations.

19 V VALUATION OF INVENTORY
20

21 Cattle carried on inventory by taxpayers making
22 their returns on an accrual basis have in many cases been
23 valued for inventory purposes at an arbitrary figure
24 which had little or no relation to market values. However
25 when the cattle in the inventory are sold the taxpayer
26 pays tax on the difference between the inventory value
27 and the sale value.

28 Lately under Section 14 of the Income Tax Act,
29 efforts have been made by assessors of the Taxation
30 Division to tax ranchers on the difference between the



1 arbitrary values and values set up by the Division. This
2 we have resisted vigorously because we believe it repre-
3 sents taxation where no income has been received. However
4 we hope that steps are at present being taken to resolve
5 this problem and we therefore refer to it only in passing.
6 Should the steps referred to come short of what we believe
7 to be an equitable solution of the matter, we request
8 permission to submit a supplementary brief on this aspect
9 of taxation as it applies to the cattle industry in B.C.

10 VI ESTATE TAXES

11
12 It has been the experience of some of our
13 members that, unless careful provision is made often in-
14 cluding the forming of family companies, estate taxes
15 fall particularly heavily on ranch property.

16 The establishing of the valuation may require
17 a great deal of time and expense. With land prices often
18 inflated by speculators above the value at which a fair
19 return can be earned on the investment through agricultural
20 production, the temptation is to sell, which may either
21 remove the land from agricultural production or turn it
22 over to foreign absentee ownership.

23 When a ranch is being valued for estate tax
24 under the Estate Tax Act we feel that the application of
25 market value is not fair under the circumstances recited
26 above. In our opinion the ranch should be valued for
27 Estate Tax according to the value of its production,
28 calculated on the net earnings over a five year period or
29 longer, excluding the year of the previous owner's death.

30 Ranchers rarely have any reserves of cash on



1 hand with which duties can be paid. The only means of
2 realizing money are a sale of part of the land, which may
3 easily upset the balance of the operation, or to sell down
4 the cattle which will leave a reduced breeding herd to
5 produce the revenue in the succeeding years.

6 It is our view that, except when the estate
7 of the deceased sells the ranch or farm as a going concern
8 to another, or when there is a sale of land or cattle which
9 alters the set up of the operation, the payment of death
10 duties should be spread over five years, so long as the
11 ranch or farm is carried on substantially as it had been
12 by the deceased owner.

13 We wish to assure the Commission that, in
14 making this suggestion, we are primarily concerned that
15 estate tax should not have the unintended but often very
16 real effect of preventing a ranch or farm from continuing
17 in the hands of the same family or indeed from continuing
18 as a productive unit.

19 VII GENERAL
20

21 Making due allowance for justifiable zeal on
22 the part of taxation officials in the public interest,
23 it is suggested to the Commission that there is room for
24 improvement in the general relationship which is believed
25 to exist between officials and the farmer and rancher
26 taxpayer. It should not be necessary for a taxpayer to
27 have to pay out large sums in professional fees in order
28 to prove that his original returns were correct.

29 Admittedly, large ranches and particularly
30 incorporated ones usually find it advisable, if not



actually necessary, to engage skilled accountants to prepare their tax returns and to represent them in discussions with taxation office personnel. There are, however, many other ranchers who feel obliged to seek advice from these tax advisors in order to ensure fair and just assessment. The scale of operations of many ranchers is so modest that the cost of the advice represents an appreciable drain of net income after taxes.

It is not claimed that actual examples can be quoted of what is suggested as a somewhat hypercritical attitude on the part of officials. This section of the submission is not, therefore, a charge of unfairness, but rather is a suggestion that a suspicious, rather than a helpful atmosphere appears to exist in taxation offices. This may not be restricted to farmers and ranchers but it should be remembered that the returns required of the latter are, of necessity, more complicated than those of the salary and wage earner. It may be possible, also, that many farmers are less well equipped by education and training to cope with these complications.

It is submitted that the rancher taxpayer should be adjudged honest until the contrary is proven or at least apparent. Perhaps it is not unreasonable that he should expect to find, at the taxation office, not only courtesy but also some measure of impartial guidance and counselling with respect to his rights and exemptions.

Respectfully submitted,

THE BRITISH COLUMBIA

BEEF CATTLE GROWERS' ASSOCIATION



1 REPRESENTATION SUBMITTED BY:

2 C.E. SCANLAN, P.Eng.
3 210 Sandringham Crescent,
4 North Vancouver, B.C.

5 THE CANADIAN ECONOMY AS AFFECTED BY EDUCATION AND
6 EDUCATION TAXES

7 THE CANADIAN ECONOMY

8 1. The Canadian Economy appears to be approaching
9 the point of becoming stagnant.

10 2. In the present fiercely competitive state of
11 world trade the need for Capital Investment and business
12 incentives is essential if we are to progress and develop
13 instead of becoming a satellite nation.

14 3. Increasing problems will face Canadian Industry
15 in the next few years due to the advent of the European
16 Common Market and President Kennedy's Trade Expansion
17 Act. And the introduction of Automation into Industrial
18 processes will further increase the problem. In addition
19 to these factors consideration must be given to the
20 emerging of the new nations of the world as competitors,
21 or partners, in the industrial struggle. Canada cannot
22 survive merely as an exporter of her Raw Materials nor
23 as an Agricultural Nation. Industrial production must
24 be increased by the Investment of new Capital and by the
25 use of modern methods and techniques so as to make her
26 products available to the world at competitive prices.
27 Subsidies as provided, whether rightly or otherwise, for
28 Agricultural products cannot apply to Industry. Industry
29 must stand on its own feet and be given the opportunity
30



1 and incentive to properly develop.

2
3 T A X E S

4 1. Taxes are a lawful levy by Governments for
5 providing, maintaining, and improving services which are
6 necessary for the well-being of the people, i.e. the
7 taxpayers. They are fair and equitable only as they are
8 collected and distributed on the principles of justice.

9 2. The form of Taxation has a profound effect on
10 the well-being of a Nation and its economic progress.

11 3. Direct Taxation as a form of revenue carries
12 with it a hindrance to the flow on Capital investment.
13 However, it is still the main source of revenue relied
14 upon by the Federal Government to meet its expenses.

15 4. The widest possible distribution of Tax levies
16 is of the greatest importance to the economic life and
17 future of the nation as it reduces the impact on Industry
18 and enhances the opportunity for greater Capital invest-
19 ment so necessary for the expansion and acceleration of
20 Industrial output.

21 5. It is worthy of note that the Countries which
22 are presently enjoying the most rapid development are
23 using methods of Indirect Taxation for the Revenues
24 necessary for Government.

25 EDUCATION AND ITS IMPORTANCE IN THE NATIONAL ECONOMY
26

27 1. The purpose of Education is to develop the
28 mental facilities by systematic training, instruction,
29 and discipline, to form and regulate the bodily and
30 mental habits of a person to render him or her efficient



1 in some particular form or mode of life.

2 2. It is fundamental to all progress and develop-
3 ment.

4 3. At the time of the framing of the B.N.A. Act,
5 Canada was sparsely populated, living was simple and
6 Education was more or less confined to the Three R's.
7 The benefits of Education were enjoyed by immediate
8 communities and the local areas. The cost of schools,
9 equipment, and Teachers' salaries was inexpensive and
10 easily borne by local taxes.

11 4. Accordingly the cost of Education was a matter
12 of minor concern to the Signatories of the Act. Education
13 was therefore left to the jurisdiction of the Provinces.

14 5. With the coming of the Industrial revolution
15 and the improvement in Scientific and Technical processes,
16 the vast strides in Communications and Transportation
17 methods, the need for improvements in Education is be-
18 coming more readily apparent daily. It has, as a result
19 of changing conditions, developed from a purely
20 Communal purpose to one of most significant National
21 import, and to the survival of the Canadian economy and
22 International relations.

23 6. Education is vital and essential to Industrial
24 progress and if Canada is to survive a nation, increased
25 industrial production must be obtained at competitive
26 costs and market prices.

27 7. The inevitable coming of Automation will further
28 demand improved educational facilities if Canada is to
29 hold a place in International trade. It has been reliably
30 stated that the present child of six years of age may



1 expect to change its vocation three times in its life-
2 time due to the development of Automation processes.

3 8. The benefits of Education extend to all sections
4 of the Nation's economy, whether Industrial or Agricul-
5 tural, and whether Scientific or Technical, and will also
6 become of increasing importance in the field of Inter-
7 national relations.

8 9. It should therefore be given primary considera-
9 tion by the Federal Government to make provision for the
10 highest possible standards of Education facilities being
11 available for all its citizens.

12 10. It is far too important to be left to the
13 Municipal property owner to bear the major portion of the
14 costs. It is the Nation's business and should no longer
15 be restricted to that of Communal purpose.

16 THE COSTS OF EDUCATION IN CANADA
17

18 The following table gives the Expenditures on
19 Education for Publicly controlled Schools for the Year
20 1961. Figures are given in 000's of dollars.
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	Elementary and Secondary Schools	Handicapd and Outside Schools	Gov't Corresp Schools	Indian Private Reform Schools	TOTALS
Local Taxation	451,435	508	451,943
	55 %				
Provincial Gov'ts	341,769	4,857	1,286	553	348,465
	41 %				
Federal Gov't.	15,333	...	20	23,894	39,256
	2 %				
Fees	5,480		441	27,867	33,788
	0.6%				
Others	9,785	250		5,846	15,881
	1.4%				
TOTALS	823,802	5,615	1,756	58,160	889,333

Not included in the above are the costs of Universities, Scholarships, research in Universities, Defence College, etc. etc. totalling approximately 150 million dollars of which amount the percentage share is as follows:

Provincial Governments	47%
Federal Government	22%
Fees	21%
Other sources	10%

11. It is to be noted that the Municipal Taxpayer is called upon to pay 55% of the Cost of Elementary and Secondary Education; in addition, he has to bear his share of Federal Taxes and Provincial Taxes, and at the same time provide the monies for the service necessary for the maintenance and improvements to the Municipality in which he lives. The situation is serious and critical



1 for the Home-owner, in view of the estimated costs on
2 Education rising from 3 or 4 times its present rate in
3 the next ten years, which will create an unbearable
4 burden on the right of every Canadian Citizen to own
5 his own Home.

6 12. The inevitable result is that much needed
7 Municipal works have to be delayed or postponed through
8 lack of funds. Unemployment is a direct result, and
9 grants towards winter works used as a palliative.

10 13. The orderly progress and financial stability
11 of the Cities and Municipalities is threatened by the
12 burden placed upon them by the present distribution of
13 Education Costs.

14 14. The improved standards of Education will produce
15 better and higher techniques, and will improve production
16 methods in industry, resulting in better quality and
17 quantity of goods to the benefit of Canadian Trade. It
18 therefore not unreasonable to suggest that a share of
19 Education costs be borne by Industry.

20 15. It is suggested therefore, for consideration,
21 that a 1% "Education levy" be made on the selling value
22 of Factory Shipments of Manufactured Goods, which in the
23 year 1960 amounted to over \$23 billion, and the amount
24 of this tax levy be distributed to the Municipalities
25 by the Federal Government on a "School pupil basis",
26 which amount would permit the Municipalities to operate
27 their proper functions so badly hindered under the unfair
28 and inequitable burden of Education costs now enforced
29 upon them.

30 16. Such a "Tax levy" would distributed the costs



1 of Education over the widest possible area of the Nation.

2 17. It would stimulate business in the Cities
3 and Municipalities to an enormous extent, and provide a
4 tremendous amount of employment throughout Canada.

5
6 S U M M A R Y
7

8 1. INDUSTRIAL EXPANSION in Canada is ESSENTIAL to
9 the existence, both present and future, as an Independent
10 Nation.

11 2. CAPITAL INVESTMENT and incentive is necessary
12 for Industrial expansion, but the present form of Taxa-
13 tion viz. Corporate Income Taxes, is a hindrance to
14 CAPITAL INVESTMENT.

15 3. The most EQUITABLE form of Taxation is that
16 which is shared by all sections of the economy.

17 4. EDUCATION IS VITAL to Canada's prosperity in
18 its significance to Industrial progress, and has thus
19 become a matter of National purpose rather than in its
20 original conception under the B.N.A. Act.

21 5. The present method of distribution of Education
22 costs which bears most heavily on Municipalities is
23 Archaic, and seriously affects the progress and financial
24 stability of Municipal Governments and the Home-owner.

25 6. Relief to Municipalities from the burden of
26 Education costs would provide the means for much needed
27 improvements, such as slum clearance, Sewer construction,
28 Drainage, and similar projects which are essential but
29 postponed or delayed due to lack of funds. Funds thus
30 available through relief from Education costs would



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1 GREATLY REDUCE UNEMPLOYMENT and abolish the need for
2 Winter Works programmes.

3 7. The answer lies with the Federal Government,
4 which alone has the powers and resources to remedy the
5 situation.

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2
3 A SUBMISSION TO THE ROYAL
4 COMMISSION ON TAXATION
5
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7 BY
8 THE MUNICIPAL COUNCIL
9 OF
10 THE CORPORATION OF THE TOWNSHIP
11 OF LANGLEY
12 MURRAYVILLE, BRITISH COLUMBIA,
13 CANADA
14
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16

17 PRESENTED BY
18 COUNCILLOR NOEL BOOTH
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1 A SUBMISSION TO THE ROYAL COMMISSION ON TAXATION BY THE
2 MUNICIPAL COUNCIL OF THE CORPORATION OF THE TOWNSHIP OF
3 LANGLEY, MURRAYVILLE, BRITISH COLUMBIA, CANADA
4
5 -----

6 1. The Langley Municipal Council appreciates
7 the opportunity afforded to it by the Royal Commission to
8 make this submission at this time and to assure the
9 Commissioners that the proposals submitted are in the
10 interests of the residents of Canada as a whole, even
11 though at times it may appear that the evidence is some-
12 what regional in scope and nature.

13 2. The Council feels that any study of taxation
14 imposed at the national level would be totally incomplete
15 if cognizance were not taken of the incidence of taxation
16 imposed at the provincial and local levels. The persons
17 who pay federal taxes, provincial taxes and municipal
18 taxes are not separate entities, but are one and the same
19 person - the Canadian taxpayer. The proportion of the tax
20 burden payable by each taxpayer is of equal importance
21 to the incidence of taxes payable by society at large and
22 segments of society in particular. With this thought in
23 mind, it appears relative to us to introduce the subject
24 of municipal taxes as part of the total tax burden within
25 the country.

26 INTRODUCTION

27 3. It is our intention in this submission to
28 make reference to the following points:

29 A. The total tax burden in Canada.

30 It is estimated from the latest statistical



1 figures available that the total tax burden in Canada is
2 40% of the Gross National Product.

3 B. Distribution of Tax Wealth.

4 The various forms of taxation in the country
5 have developed in a piecemeal fashion over the past 100
6 years without any particular thought being given to the
7 distribution of the tax wealth in accordance to the degree
8 of responsibility for providing services.

9 C. Delineation of Responsibilities for Public
10 Service.

11 The basis for the present division of res-
12 ponsibilities for services is, of course, the British
13 North America Act and the prerogative of the provinces
14 to delegate to municipalities. It would appear that this
15 constitution for Canada would require some revision if
16 an adequate tax structure is to be devised for the
17 country.

SUBMISSION

18 4. A. Total Tax Burden

19 A number of factors influence the opinion
20 of each member of society on the question of what is an
21 equitable tax burden for a taxpayer to assume. Not the
22 least of these, of course, is the individual's particular
23 political philosophy. The one is an advocate of State
24 Capitalism, then one must assume that those things which
25 were normally purchased through private enterprises, will
26 now be purchased through public enterprise, hence
27 the service charge or tax, which is the normal method
28 of paying for such services, will be added to the existing
29 tax burden. On the other hand, if one is an advocate
30 of the so-called free-wheeling economy, whereby as much



1 service to the citizens as is possible is provided by
2 free enterprise, then the incidence of taxation for public
3 services would, presumably, be at its lowest ebb. One
4 has to decide where Canada is at present between these
5 two almost extremes, and in which direction she intends
6 to travel in the future, and be guided accordingly in an
7 approach to taxation.

8 5. While our present economy exhibits a
9 dual tendency, we are not prepared to suggest which pattern
10 the country should follow, but we do suggest that the
11 wealth of Canada is still basically private wealth and
12 that our standard of living, which of course includes both
13 private and public services, is directly related to the
14 development of this private sector of the economy. If
15 this is so, then the incidence of taxation on the private
16 sector of the economy required to finance the public
17 sector of the economy, should have some relationship to
18 the ratio of financial and human resources required to
19 provide both sets of services. We confess that we are not
20 in a position to assess this particular problem because
21 we do not have the figures at hand, but it would appear
22 that if the total tax burden in the country is 40% of the
23 Gross National Product, then perhaps without any doubt
24 there is an imbalance.

25 6. This latter point raises the question of where
26 and how and at what level this taxation relief should be
27 granted to the private sector of the economy. At the
28 present time, it would appear that all three levels of
29 government are vying with each other to obtain the assent
30 of the electorate to assess and levy taxes against the



1 nebulous and impersonal business community. This leads one
2 to the conclusion that the persons responsible for tax
3 policies within the country should attempt to establish
4 some degree of co-operation so that the economic effect of
5 such policies shall not become onerous in total or
6 distorted as between the various components.

7 7 B. Distribution of Tax Wealth

8 In support of our contention that the distribu-
9 tion of tax wealth requires revision, we would point to
10 the number of procedures which have been adopted by the
11 two senior levels of government to re-allocate the tax
12 monies between themselves and with their component
13 municipalities. The various taxation agreements and
14 grants-in-aid indicate that some acknowledgment has been
15 given to this question and its solution. However, we
16 would suggest that this method of redistributing the
17 wealth of the country leaves much to be desired and also
18 presents a confused picture to the taxpayer who is
19 entitled to know and receive assurance that national
20 taxes are for national purposes, provincial taxes are for
21 provincial services, and municipal taxes are for municipal
22 services. At the present time, it is doubtful if
23 Government leaders, let alone the average taxpayer, could
24 say what percentage of Income Tax or Provincial Sales Tax
25 is used to finance municipal services.

26 8 We do not suggest that this problem is easy
27 of solution, nor do we offer the recommendation that each
28 level of government shall operate within a vacuum, divorced
29 and set apart from the other levels of government. It
30 is quite obvious that each level of government, being a



1 corporate entity and operating public enterprise, will
2 of necessity be required to make some contribution to the
3 other levels of government for services provided to this
4 corporate entity. This leads to the third point in our
5 submission which covers division of responsibilities for
6 public services.

7 9. C. Delineation of Responsibilities for
8 Public Services.

9 For this final portion of our presentation, we
10 wish to rely entirely upon the booklet published by the
11 Union of British Columbia Municipalities, entitled "What
12 Your Property Tax Dollars Should Be Properly Doing For
13 You". This booklet is attached to and forms part of our
14 submission and we ask that it be accepted in its entirety.
15 This booklet serves to show that the municipal taxpayer
16 has been compelled to assume payment for services non-
17 municipal in character, and we are, therefore, carrying a
18 disproportionate share of the tax burden. If this
19 situation is not corrected, Canadian municipal taxation
20 will be the highest known in the western world. We feel
21 that some relief could be afforded by reducing the non-
22 municipal costs now imposed at the municipal level; or
23 alternatively, that the two senior governments must be
24 prepared to supply additional funds to the municipalities
25 to help take care of this situation. To secure the
26 additional money necessary, we would suggest an investi-
27 gation into the advisability of a graduated tax on
28 capital gains. We note that the Federal Government
29 expenditures for defence have amounted to 1.6 billion
30 dollars per year over the last number of years, and if any



1 saving could be made in these expenditures, ample funds
2 would be available for the relief of municipal taxation
3 without the imposition of additional taxes at the Federal
4 level.

5 10. It is acknowledged that this booklet deals
6 with the problems faced by the municipalities in British
7 Columbia, but the principles enunciated therein are surely
8 applicable to all municipal governments with regard to
9 their relationships with the senior levels of government.
10 It might be argued, of course, that the British North
11 America Act, in Sections 91 and 92, clearly defines the
12 division of responsibilities as between the federal and
13 provincial governments, and further that the provincial
14 governments can draw a distinct line as between the
15 responsibility for services to the province as a whole
16 and services by municipal government to municipal
17 residents. It is quite obvious that the division of
18 responsibility is not as clear-cut as the above quotation
would suggest.

19 11. In conclusion, we feel that the Canadian tax-
20 payer is entitled to a clear picture of the tax structure
21 as it now exists in Canada, what changes could be
22 implemented to clarify this picture, and a set of ground
23 rules that will enable him to more accurately assess
24 future tax policies. This, we are confident, the
25 Commission will accomplish.

26 12. We feel very strongly that the suggestions we
27 are advocating are fundamental to the securing of a
28 reduction in, or stabilization of, the high incidence of
29 municipal taxation now existing and potential. Anything
30 less will be trivial and of little consequence. To



1 paraphrase Burke: "What economic morality requires,
2 true statesmanship should accept".
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WHAT YOUR PROPERTY TAX DOLLAR SHOULD PROPERLY BE DOING FOR YOU



*A Proposed Solution to the
Problems of Provincial-Municipal
Financial Relations*



**A POLICY STATEMENT
of the
UNION OF B. C. MUNICIPALITIES
adopted at its
55th Annual Convention
September, 1958**

PREFACE

By MAJOR GENERAL C. A. P. MURISON, C.B., C.B.E., M.C., Retired
Reeve of the District of North Cowichan, President of the Union of
B. C. Municipalities and Chairman of the Finance Policy Committee.

Financial malnutrition, often aggravated by rapid growth, is a chronic municipal condition in Canada. Though widely recognized and not infrequently studied by Provincial Governments and Royal Commissions the condition persists. Because it persists municipalities are kept continuously in the bread line seeking handouts which even if given are too little and too late to effect any lasting improvement.

Is this condition beyond remedy? A year ago the municipalities of British Columbia, instead of leaving the task to others, took the unusual, and, it is believed, unprecedented step of seeking the answer for themselves. To this end they instructed their Provincial Association, the Union of B. C. Municipalities (U.B.C.M.), to set up a Special Committee to study the problem in all its aspects. This Committee presented its report, including its remedy, to the 1958 Convention of the U. B. C. M., when it was unanimously adopted. The report now published in this booklet has therefore become the expression of the views of the municipalities of British Columbia.

The problem can be simply stated. It is to bring municipal resources and municipal commitments into balance. Obviously this can be effected in one of two ways—by increasing resources or by reducing commitments.

The usual approach has been to seek ways and means of increasing resources. In general this has resulted in proposals for increasing Provincial grants, often based on complex formulae, and suggestions for making new sources of revenue—sales tax, gasoline tax, income tax and others—available to local governments, often without regard either to the difficulties of administration and collection or to the fact that the suggested fields are already occupied by the senior governments. Meanwhile the property tax remains, and seems likely to remain, the principal source of local revenue as it has done for centuries. It is for this reason that the study proposes bringing revenue and responsibilities into balance by reducing local commitments to local functions.

Such an approach depends on a functional division of responsibilities between municipalities and their Provincial Government but this does not imply that the division can be achieved by drawing a sharply defined line. This cannot be done because between what are clearly local and clearly provincial services lies a group of services that does not fall specifically into either category and must, therefore, be treated as a joint Provincial-Municipal responsibility. The study takes this into account.

The report avoids statistics but this does not mean that statistical trends have been ignored. Three trends in particular were carefully considered and nothing in the study runs counter to them. These three trends were:

Over the years the percentage of net Provincial revenue allocated as grants to municipalities has increased in all Provinces but in some to a greater extent than in others. This may be taken as a general recognition of municipal needs, but, apart from this, the breakdown of these grants only serves to reveal the wide divergencies in the policies of Provincial Governments.

Taking Canada as a whole the sum total of Federal payments to Provinces is approximately balanced by the sum total of Provincial grants to municipalities. While this suggests that Provinces may have established some relationship between what they get and what they give, the only deduction to be made is that the full implementation of the recommendations may be contingent on larger Federal payments to the Provinces.

Real property taxes, averaged across Canada, represent a smaller proportion of personal income today than they did before the war. While this might be taken to indicate that municipalities as a whole are not exploiting the property tax to the limit of its capacity, it has little bearing on a policy whose purpose is not so much to keep down the property tax as to ensure that its use is confined to those purposes for which the tax is best suited, and that its amount is subject to the control of those who pay it.

The property tax has in effect been subjected to a job analysis and has been found to be suffering from overstrain and in danger of a breakdown not so much on account of the amount of work it is being called upon to do as because too much of its work is of the wrong kind. The property tax has in fact been given so many priority jobs to do for Provincial governments, and these jobs have become so large, that the tax is tired before it can be set to work on the urgent local jobs it is best fitted to do. In consequence the remedy proposed is a fresh job allocation.

What the municipalities of British Columbia have proposed to their Provincial Government is simply this: "Stop drawing on the property tax to pay for Provincial and Federal-Provincial services—leave it to us. Stand on your feet without help from us and we will stand on our feet without help from you." The municipal aim is nothing less than the relief of the property owner from tax burdens over which he can exercise no effective local control, which have nothing to do with real property and nothing to do with local functions and responsibilities.

What is needed is a Colombo Plan for local governments, a plan at once simple, logical and just. The study proposes one.

A last point. For obvious reasons the study has special reference to conditions as they prevail in British Columbia. It would, however, be wrong to conclude from this that they are peculiar to this Province. They are Dominion wide and differ only in degree from Province to Province. Indeed it can be said that in British Columbia the conditions are in some respects no worse and in others slightly better than in some of the Provinces. That, unfortunately, is the most that can be said.

In conclusion I wish to acknowledge with thanks and gratitude the help I received from the members of the Finance Policy Committee, who participated in this study namely:

Mayor J. E. Fitzwater, City of Kamloops,
Past President, U. B. C. M.

Mayor P. B. Scurrah, City of Victoria.

Reeve P. Jenewein, District of Maple Ridge.

Alderman H. D. Wilson, City of Vancouver.

Mr. C. C. Wyatt, Municipal Manager, City of Victoria.

Mr. P. Livingstone, Municipal Manager, District of Surrey.

Mr. T. R. B. Adams, Executive Director, U. B. C. M.

Mr. C. D. McQuarrie, Q.C., Solicitor, U. B. C. M.

These municipal officials elected and permanent, gave freely of their first hand knowledge of and experience in the conduct of local government—knowledge and experience which in aggregate well exceeds one hundred years.

C. A. P. MURISON,
President U. B. C. M.

Duncan, B. C.
December, 1958.

PART I.

THE PROBLEM

1. Owing to the ever-increasing importance attached to them from the political and humanitarian points of view, the social, health and welfare services, including education and hospitalization, have been removed from the sphere of local government and placed under Provincial direction and control by various acts of the Provincial Legislature in this as in other provinces. Because of the increasing volume of road traffic and its economic importance responsibility for arterial highways has also been assumed by the provinces. To meet the cost of discharging their responsibilities provincial governments in some cases receive assistance from the Federal Government and in all cases have been conscripting the aid of local governments, and this statutory obligation to help imposed by the senior government on the junior has been made a prior charge on municipal revenue — that is a charge that must be met before local needs can be satisfied.

2. To a greater or lesser degree these municipal contributions to provincial and federal-provincial services have been offset by Provincial grants-in-aid of various kinds, but there is a very real difference between the aid municipalities are compelled by legislation to render the Province and the aid the Province gives to municipalities as an act of grace. In this Province, the conditions governing municipal contributions are such that these increase at least in proportion to the amount borne by the Province, while provincial grants-in-aid of local services are a matter of expediency rather than of policy, are in no sense directly related to their cost, and can be varied or even rescinded at the will of the Legislature.

3. Consequently the provision and maintenance of many local services for which local governments are rightly held responsible is inevitably influenced and indeed is becoming seriously prejudiced, by the growing demands on local revenue made by the social, health and welfare services — and in certain cases by arterial highways — initiated by the Federal and Provincial Governments, over which these Governments exercise full direction and for which they are not slow to take full credit.

4. Nor is this all, for it has become customary for Provincial Governments to regard as municipal aid even their own share of the cost of provincial services to which municipalities are required to contribute. The result has been to obscure the issues, to prevent the formulation of a rational and equitable policy and to strain the relationships between the two levels of government.

5. Notwithstanding this unsatisfactory and confused situation, however, the problem to be solved can be stated in simple terms. It is this:

"In what way and to what extent should local governments be expected to share in the cost of provincial and federal-provincial services; and in what way and to what extent should the Provincial Government be expected to share in the cost of local municipal services."

6. A solution to this problem that conforms to the responsibilities and resources of each of the two levels of government, already overdue, has become a question of critical urgency because municipalities, in addition to having to contend with the local problems created by exceptional growth, are being subjected to an increasing strain occasioned by the shift of population from country to town, the resultant outward spread of urban areas and the consequent need for the extension of urban services.

PART II.

FACTORS BEARING ON THE PROBLEM

7. A first and essential step towards solving the problems is a clear appreciation of the factors involved. These are:

- (a) the kind of services provided at the provincial level;
- (b) the kind of services provided at the local level;
- (c) the nature of the financial resources at the disposal of the two levels of government;
- (d) provincial grants-in-aid;
- (e) the degree of control exercised at the local level;
- (f) arterial Highways;
- (g) inter-governmental taxation;
- (h) validity of certain arguments;
- (i) equalization of assessments.

An examination of these factors follow:

8. The kind of services provided at the Provincial level.

The distinguishing characteristics of provincial or federal-provincial services are:

- (i) They are all services relating to the province as a whole and are therefore services unaffected by municipal boundaries.
- (ii) They are all services governed by provincial statutes and under the complete control and direction of the Provincial Government.
- (iii) They are all services for which local responsibility, where it exists at all, is restricted to local administrative details.
- (iv) They are all services of direct benefit to the people as a whole rather than to any particular class or group of taxpayers.
- (v) They are all services than can only achieve satisfactory results if provided on the provincial level.
- (vi) None of them are services that can be paid for on the basis of benefits received. Their cost should therefore be defrayed by taxes based on ability to pay.
- (vii) They are all services which, insofar as local contributions are involved, entail double taxation of the property owner — once as a provincial and again as a municipal taxpayer.

So far as this Province and many other Provinces are concerned these characteristics are clearly the common possession of the social, educational and hospital services and of arterial highways.

9. The kind of services provided at the local level.

The characteristic feature of these services are :

- (i) They are all services of special benefit to the local community and are therefore directly related to local government boundaries.
- (ii) They are all services governed by municipal by-laws and regulations and are, therefore, services subject to the control, direction and administration of local governments.
- (iii) They are all services specifically concerned with the government and development of the community and are more closely associated with property than with people.
- (iv) They are all services that can reasonably be paid for on the basis of benefits received i.e., by taxes on property.

Such services include police and fire protection, parks and sanitation, roads, water and sewers. These last three in particular call for capital expenditure on a scale that, during periods of rapid growth, can, of itself, seriously strain the financial resources of local governments.

10. The nature of the financial resources at the disposal of the two levels of government.

The principal revenue resources available to the Provincial Government are directly related either to income (through tax rental or by direct levy) or to consumption and are, therefore, directly or indirectly related to ability to pay. Hence they are sources that are very sensitive to general economic conditions. While this means that their yields contract when the general economy is declining, it also means that their yields increase during periods of rising prosperity and roughly in proportion to it. Consequently when the calls for expenditure to satisfy the demands of growth are on the increase, revenue is also increasing. Conversely when the revenue is static or shrinking the rate of growth is static or tailing off and the need for expanding services diminishes. Hence at the provincial level both revenue and expenditure tend to expand and contract in step with the general economy.

At the provincial level also every resident of the Province contributes in some degree towards the revenue, for, though some may escape taxes on income, none can escape taxes on consumption. Moreover, at the provincial level, except for taxes on income which in many cases are collected by the Federal Government under tax rental agreements, taxation, though technically direct is in a fashion indirect and is imposed in a way that eases collection and arouses the least opposition.

At the local level, on the other hand, the principal source of revenue is the value of real property. This has always been the mainstay of local government revenue and no satisfactory substitute for it has been discovered. Under modern conditions, however, it suffers from certain disadvantages namely :

- (i) The possession of real property is no longer a reliable criterion of wealth. Taxation based on it cannot, therefore, be regarded as taxation based on ability to pay.
- (ii) Unlike income and consumption real property as a source of revenue is relatively stable. This means that at times of rapid growth when the need to expand local services is great it responds but slowly to the economic impulse. On the other hand during periods of declining prosperity, property values tend to shrink less rapidly than other sources of revenue, an advantage offset, unfortunately, to an appreciable degree, by the inability of property owners to meet their tax demands out of declining incomes so that the amount of uncollected property taxes increases. Real property as a source of revenue is therefore better suited to stable than to dynamic economic conditions such as prevail in British Columbia today.
- (iii) Taxation based on property — unless limited approximately to the benefit derived from the services provided — is discriminatory in that it singles out one particular group of individuals and imposes on them a special surcharge over and above all the other taxes to which they are liable in common with everyone else.
- (iv) As a tax base it is extremely narrow and it is being continually undermined by the ever-increasing contributions municipal governments are being called upon to make to provincial and federal-provincial services.

11. Provincial Government Grants-in-Aid.

The limitations of real property as the tax base of local revenue and the vain search now centuries long, for new sources of local revenue both adequate in yield and simple in collection has resulted in the adoption, by Provincial Governments, of the expedient of supplementing local revenue by means of grants-in-aid.

These grants can and do take various forms, but whether they are based on some simple yardstick such as population or assessments or whether they take the form of a percentage of the yield of some specified source of provincial revenue — such as sales or even income tax — or whether they are conditional or unconditional, they are still grants. By no stretch of the imagination, whatever form they may take, can they be classified as sources of municipal revenue for they are not subject to the control of local governments. They also possess four other serious disadvantages:

- (i) They are illogical. It is not logical that Provincial Governments through statutory demands on local government revenue should draw heavily on the property tax and then return a part of their levy as a grant-in-aid.
- (ii) They constitute real or potential grounds for interference with local autonomy since there is a natural tendency for the grantor—that is the Provincial Government—to determine how they shall

be used. The close government control over education grants is a case in point.

- (iii) They are not certain. They can be reduced, varied or even taken away at the will of the Provincial Government. Examples of this in this Province are provided by the replacement of the sales tax by per capita grants and by the arbitrary alterations to the education finance formula.
- (iv) Their distribution tends to be based on rule of thumb rather than on any recognizable principle of equity. The per capita grants, and cost sharing in the case of arterial highways, bear witness to this.

For these reasons grants-in-aid, no matter what form they may take, can never be a satisfactory substitute for locally controlled sources of revenue. In default of any new sources of local revenue the solution lies not in increasing grants but in provincial governments curtailing their demands on local governments for aid to provincial services.

12. The degree of local control exercised at the local level.

It is a sound rule of practical administration that administrative responsibility should be accompanied by commensurable financial responsibility and it is consistent with this rule that local governments should, so far as their resources permit, assume full responsibility, as indeed they do, for local services over which they exercise complete administrative control. It is also consistent with this rule that where the Provincial Government has delegated a measure of administrative responsibility for provincial services to the local level, some part of this cost should be borne by the local authority as an incentive to economical management. But it is not consistent with this rule that the contribution of local authorities should be assessed without regard to the degree of local control permitted.

In the case of the social, health and welfare services — excluding education and hospitals — the administrative responsibility decentralized to local governments is for all practical purposes non-existent yet the local share of the overall cost is at least 10%. There is no discernable justification even for this relatively small imposition on local revenue.

In the case of education a measure of administrative responsibility is delegated, not to local governments, but to school boards. The financial contribution required by the Provincial Government in return is, however, out of all proportion to the limited amount of local control permitted. This local control, moreover, is vested in an authority with no responsibility for raising the money and the local administrative unit is only accidentally related to municipal boundaries. Municipalities, therefore, have strong reasons for pressing the Provincial Government to reduce local contributions so as to relate them to the degree of local control that in fact exists.

The hospital service is in a class by itself for it differs from all the other provincial services, towards whose upkeep the Provincial Gov-

ernment conscripts financial help from municipalities, in several important particulars. These are:

- (i) The service is financed by special taxation based on consumption. It is, therefore, a service to which municipalities contribute in proportion to their consumption like every other consumer.
- (ii) In financing the service the Provincial Government receives considerable assistance from the Federal Government.
- (iii) Direction, financial control and administrative responsibility are completely centralized at the Provincial Government level, hospital boards merely playing the part of subordinate branch managers.
- (iv) Hospital boards are subject neither to local governments nor to the ratepayers.
- (v) The location of hospitals is governed by medical and administrative considerations only and is influenced neither by municipal boundaries nor by considerations of public sentiment and convenience.
- (vi) Hospitals are very properly required to admit patients without regard to residential qualifications.

The hospital service, is in fact, as well as name, entirely a federal-provincial service and there is no justification, either in logic or in equity, why the full cost should not be met by the Provincial Government. If the existing revenue supplemented by federal aid is insufficient to support the service, then the revenue should be increased not by placing an additional burden on property owners but by means that ensure that all taxpayers share the load. To surcharge the property owner as a means of providing provincial revenue is to reduce policy and principle to the level of exploitation, and the fact that this is so regarded by property owners is the reason why no tax levy at the local level causes greater resentment and resistance than that made to finance hospital construction.

13. Arterial Highways.

From the point of view of provincial-municipal relations the financing of provincial arterial highways has many of the inequitable features noted in connected with hospital financing. In particular:

- (i) Special taxes are levied on all road users, including local governments, to defray at least a part of the cost.
- (ii) Highways are constructed primarily to develop a Province. They would largely fail in their purpose but for the complimentary system of roads and streets provided by local governments and available to all vehicles without special taxation.
- (iii) In certain cases the Province receives large federal grants towards the cost of construction.
- (iv) They are entirely under provincial control.

- (v) Their effect on local property values is uncertain, variable and in many cases harmful.

There are in fact no grounds for imposing on local governments and through them on property owners any part of the cost of the provincial main trunk highway development programme over and above what they contribute, like every other vehicle user, in vehicle and gasoline taxes. That local contributions to provincial highways are only required from a particular class and size of municipality makes the policy irrational and discriminatory as well as unjust.

14. Inter-governmental taxation.

The Provincial Government invokes the prerogative of the Crown to escape local taxation, but subjects local governments to provincial taxation of consumption.

In theory it is undesirable that any level of Government should tax another but in practice the administrative difficulties in the way of granting exemptions from consumer taxes have led senior governments to persist in subjecting municipal governments to this form of taxation.

Such being the case it is not unreasonable for local governments to expect senior governments to bear their fair share of the cost of local services from which they benefit.

The justice of this has recently been recognized by the Federal Government to some extent but not yet by the Provincial Government which continues to expect free services at the local level.

In equity the Provincial Government should recognize its obligation and make grants to municipalities equivalent to the taxes and fees imposed by municipal by-laws.

15. The validity or otherwise of three arguments.

Three arguments are invariably used at the provincial level to justify the placing of a part, and frequently a very considerable part, of the financial burden of provincial services on the shoulders of municipal governments. Each of these arguments can be briefly summarized.

The first is that the property tax can be shifted by the property owner either in the form of increased prices or higher rents so that it is not a tax borne by property owners alone but by all municipal residents.

The validity of this contention rests solely on the assumption that the property tax can be shifted. Rental values like property and commodity values are subject in the last resort to supply and demand. At times when the demand for property and for houses to rent is high in relation to availability it is undoubtedly true that the property tax can be shifted but as soon as supply exceeds demand the possibility of the property owner being able to shift the tax disappears.

Moreover, if past experience is any guide, at times of extreme scarcity the property owner is prevented, by restrictive legislation, from exploiting his opportunities. Again in the case of long-term leases the property owner may be obliged to assume heavy additional maintenance costs as the result of a general but unforeseeable rise in prices which may on balance offset any shifting of tax. Lastly even when the tax is shifted the obvious implication is that someone escapes it.

The argument that the property owner can shift the property tax in such a way that it is borne by all municipal residents is in fact only valid at particular times and under particular circumstances and is no basis for a long-term adjustment of provincial-municipal financial relations.

The second argument is that anything that contributes to the development of a community benefits the property owner; that people are attracted to a community by good schools and hospitals; that these, therefore, contribute to the development of the community and hence to the wealth of the property owner, so that it is only reasonable that the property owner should contribute to the capital cost of their provision.

Again the argument is only partly true. No one disputes that, as a group, the property owners are the greatest beneficiaries from the development of their community; but to argue that schools and hospitals contribute to this development by attracting settlers is to confuse cause and effect.

People are drawn to a community by the opportunities it offers for making a living. Their concern is availability of employment, salary and wage scales, the local cost of living and the economic conditions prevailing locally. Hospitals and schools are taken for granted because they are provincial not municipal services and are presumed to conform to provincial standards. The cause of their coming is, therefore, economic; the result of their coming is a shortage of hospital and school accommodation which has to be made good by capital expansion.

This would not be the case if these facilities, as the argument suggests, were provided to attract for they would have been provided in advance. Indeed the communities that have school and hospital accommodation in excess of their needs are not those that are growing but those that are shrinking — a point that well illustrates how uneven local contributions to the capital costs of general services can be.

It is therefore riding the facts too hard to contend that the property owner derives any special benefit from the construction of schools and hospitals such as would justify surcharging him on this basis with a part of their cost.

On the other hand, since the property owner does admittedly benefit very directly in the form of appreciating property values from growth, it is not illogical to expect him to bear the cost of local services since these, directly or indirectly, all benefit property, though all municipal residents and not only property owners enjoy them.

Therefore, while no mathematical evaluation can be made either of the benefits property owners derive from provincial services to people or of the benefits non-property owners derive from local services to property, it is a closer approximation to the truth, than either of these stock arguments, to conclude that the two at least cancel each other out.

The third argument is that it is the taxpayers of the Province who ultimately pay the price whether the tax is levied by the municipality or the Province.

This is merely a variant of the argument that the property tax can be shifted and has no greater validity. If it were otherwise the resistance of the Provincial Government to any suggestion that it should bear a greater proportion of the cost of provincial services would be pointless.

Apart from the inherent fallacy the argument is both evasive and misleading because it ignores the fact that municipal taxes are levied on a particular group of taxpayers — the owners of real property — and are in addition to the federal and provincial taxes these pay like all other taxpayers. It is therefore, not unreasonable that the property owner should derive some special benefit from this special surcharge. When the surcharge is used to pay for provincial services it becomes discriminatory and therefore unjust.

16. Equalization of Assessments.

Because of the measures taken to equalize assessments throughout the Province, provincial-municipal financial relations can be related to a common denominator. Thus a means has been provided of allocating costs, where these are shared on a fair and reasonable basis.

PART III.

CONCLUSIONS

17. The conclusions to be drawn from the above examination of the factors involved are:

(a) The financial contributions towards provincial services required of municipalities by the Provincial Government are seriously prejudicing the ability of local governments to finance their own local services. Moreover they constitute an indirect invasion of the local government tax field by the senior government.

(b) The provincial services in the cost of which municipalities share are general services primarily designed to benefit the people as a whole; the local services for which municipalities are entirely responsible are normally restricted to municipal boundaries and are services primarily of benefit to property.

(c) The revenue resources of the Provincial and Federal Governments being related to either income or consumption are peculiarly adapted to distributing taxation among the people as a whole according to ability to pay and respond quickly to economic conditions. The revenue resources at the disposal of local governments are concerned neither directly with ability to pay nor with municipal residents as a whole but they are well adapted to financing services that benefit property. Being relatively stable, however, they are subjected to severe strain at times of rapid growth.

(d) In the interest of economy administrative responsibility should not be divorced from financial responsibility but where costs are shared the contribution of each party should be a reflection but no more than a reflection of their respective administrative responsibilities.

(e) The taxation of one government by another is undesirable but where it is administratively impractical to exempt the junior from the taxes of the senior then in equity the senior should not invoke its prerogatives to escape the taxation of the junior especially when in fact all that is involved is payment for services received.

(f) The arguments that all municipal residents share the burden of local taxation; that property owners derive special benefits from capital expenditure on general services to people; and that there is ultimately no difference in the incidence of provincial and municipal taxes are all fallacious. The first is at best only partly true part of the time, the second confuses cause and effect and the third ignores the elementary fact that the property tax is a surcharge on a particular class of taxpayer over and above all federal and provincial taxes he pays like everyone else. Moreover, such advantages as do accrue to property from services to people are at least balanced by the benefits the people as a whole derive from services to property.

PART IV.

THE SOLUTION

18. These six conclusions remove a serious misconception that for too long has obscured the fundamentals of the problem of provincial-municipal financial relations and provide the key to a rational solution.

The misconception has arisen from the misuse of the term "municipal aid." This term is invariably used by the Provincial Government to describe not only the direct aid it furnishes municipalities — which is true municipal aid — but also, and wrongly, the share of the cost of provincial and federal-provincial services it itself pays whenever a part of the cost of these services is imposed on municipalities by provincial statute.

19. Whatever it may do financially a provincial statute cannot convert what is manifestly a provincial or a federal-provincial service into a local government service; but, unfortunately, this double and contradictory use of the same term has been allowed to pass unchallenged for so long that both meanings have been accepted as the literal truth. As a result municipal governments have been placed in the entirely false position of appearing to seek financial assistance from the Provincial Government in a variety of different ways when in fact all they have been and are seeking is relief from the obligation of contributing to general provincial and federal-provincial services so that they may be in a position to bear the cost of their own local services.

20. The term "municipal aid" is in fact only appropriate to the direct aid furnished municipalities by the senior government. Contributions from municipal revenues to the cost of provincial and federal-provincial services are not municipal aid but "provincial aid." A clear recognition of this distinction is an essential preliminary to any rational attack on the problem of provincial-municipal financial relations and at once suggests the basis of an equitable solution.

21. THIS BASIS, IN ITS BROAD AND ELEMENTARY FORM, IS THE PRINCIPLE THAT EACH LEVEL OF GOVERNMENT SHOULD BEAR THE COST OF ITS OWN SERVICES WITHOUT THE ASSISTANCE OF THE OTHERS.

22. Over a wide range of services this fundamental principle is already accepted and applied without question and it follows directly from it that each level of government should contribute to the direct services it receives from the others.

There are, however, cases where this basic principle requires modification by one further principle. This is that the sharing of financial responsibility is justified:

- (a) Where administrative responsibility is necessarily shared but only in like proportion

or

- (b) Where a local service to property is of general benefit to people beyond a local government boundary when costs should be shared in proportion to the advantages accruing respectively to people and to property.

23. These two principles, the basic and the modifying, taken together constitute the solution of the problem set out at the beginning namely :

“In what way and to what extent should local governments be expected to share in the cost of provincial and federal-provincial services ; and in what way and to what extent should the Provincial Government be expected to share in the cost of local government services.”

24. They also provide a test by which the merits of any provincial-municipal financial issue may be fairly assessed.

PART V.

RECOMMENDATIONS

25. The application of these principles to the various services collectively comprising the problem of provincial-municipal financial relations results in the following recommendations:

(a) **Social Welfare Services.**

These are federal-provincial services over which local governments have no financial control. Local responsibility is restricted to investigation and the minor details of administration and except in the larger municipalities this task is performed on behalf of local governments by the Provincial Government in return for a local per capita payment to cover this cost.

Apart from local per capita administrative costs the services are at present financed approximately 50% by the Federal, 45% by the Provincial and 5% by local Governments. In other words the Provincial share of the overall cost is split on a 90/10 basis with municipalities.

These services do not confer any special benefit on property while the degree of local administrative responsibility is fully balanced financially by municipalities assuming the cost of such staff as may be supplied by the Provincial Government for local purposes.

RECOMMENDATION.

That these services be paid for entirely by the Federal and Provincial Governments except for the cost of any local administrative staff supplied by the Provincial Government which should continue to be a charge against local government revenue on a per capita basis as at present.

(b) **Education.**

Education is clearly a service of paramount importance to people—to every person in the country—but it is not a service that confers any special benefit on the property owner as such. It is certainly not a service that can be paid for on the basis of benefits received and it is certainly not a service that can be subjected to the restrictions of local government boundaries or to the vagaries of local ideas. On these grounds it is quite definitely a provincial service to be financed by the Provincial Government out of taxes based on ability to pay. This is accepted insofar as higher education is concerned; but in the case of elementary and secondary education administrative convenience, no less than public sentiment, calls for a measure of local control and the modifying principle requires that there should be a measure of local financial responsibility commensurate, but no more than commensurate, with the amount of local control permitted.

In practice the amount of local control School Boards are permitted to exercise over operating costs is so small as to be negligible. In the case of capital expenditure to be met by borrowing, on the other hand, the local taxpayers do exercise a degree of control because of their right to veto the enabling money-by-laws, though the Provincial Government retains the right to determine the size, type of construction and in the last resort the site of the buildings to be constructed.

RECOMMENDATION.

That the Provincial Government pay the entire cost of operating elementary and secondary schools and that capital expenditure entailing borrowing be shared 50/50 by the Provincial and local authorities.¹

(c) Hospital Service

This is a federal-provincial service with the Provincial share being financed by special taxation to which local governments are themselves subject.

So far as municipalities are concerned there is complete centralization at the Provincial level of direction, control and administration.

RECOMMENDATION.

That the entire capital cost of hospitals be met from Provincial revenue.²

(d) Highways.

City municipalities having a population of 15,000 or more are required to contribute to the cost of provincial arterial highways within their boundaries.

Municipalities and municipal residents contribute largely to these highways through special provincial taxes and municipal taxpayers in addition contribute materially to the effectiveness of the provincial highway system by providing, at their cost, access roads and streets. The larger the municipality the more it provides not only in provincial taxes but also in access roads and streets. Consequently, though provincial highways benefit municipalities, there is no justification for compelling local governments to contribute directly to them. In providing the access roads and streets they have fully compensated for any advantages they derive from the main trunk system. Still less is there any justification for making these contributions discriminatory.

1. At the present time the Provincial Government pays approximately 50% of the net operating costs of schools over the Province as a whole and shares approved capital costs with local authorities on a sliding scale which starts on a 50/50 basis and can rise, in a few cases, to a 90/10 basis.

2. At the present time hospital construction, and the servicing of capital debt charges, is made the responsibility of municipalities. The federal government makes a grant toward construction of \$2000 per bed and the provincial government contributes 50% of the cost of approved and accepted construction.

Moreover certain municipal roads are of more than local significance and as such carry a heavy volume of extra municipal traffic that contributes nothing to their upkeep. Such roads should be maintained on a cost-sharing basis as secondary roads.

RECOMMENDATION.

That the Provincial Government bear the entire cost of provincial highways forming part of the main trunk system and adopt a less restrictive policy towards the classification of municipal roads as secondary highways.³

(e) **Local Services.**

These services are a recognized municipal responsibility and in all cases directly or indirectly benefit property.

RECOMMENDATION.

That the entire cost of these services be met from local revenue without recourse to grants-in-aid.⁴ That, subject to the exemption of schools and hospitals from general taxation the Provincial Government contribute to this revenue, like other property owners, by making grants equal to the general taxes and fees to which they would otherwise be liable.

(f) **Local Government Borrowing.**

In order to provide local services such as water and sewer systems municipalities are obliged to borrow to meet the capital cost and are often discouraged or even prevented from undertaking such works by high interest rates.

This has led to many demands for a policy that will make municipal loans more attractive to the investor.

These demands fall into four main categories:

- (i) those for low interest loans.
- (ii) those for loans with interest exempt from income tax.
- (iii) those for the setting up of some type of a co-operative finance organization.
- (iv) those for guaranteed loans.

(i) **Low interest loans.**

The intent is that the senior governments should lend money to municipalities at a lower rate of interest than that at which they themselves borrow. The difference between the two rates is obviously a direct

3. At the present time the provincial government bears the cost of construction and maintenance of 'arterial highways' within municipal limits except in cities having a population in excess of 15,000. It shares in the cost of designated 'primary' and 'secondary' highways within the same limitation.

4. In 1957 the local government grant amounted to just over \$11 million.

subsidy to the borrower. In the aggregate these subsidies would be variable and unpredictable, as well as uncontrollable as to total, and at the same time would be a direct incentive to municipalities to seek relief through borrowing rather than through prudent administration. Apart from these objections subsidized borrowing is contrary to the principle that local governments should meet the entire cost of their own local services.

(ii) Loans with interest free of income tax.

Because this expedient to make municipal loans attractive is common in the United States does not alter the fact that it is thoroughly bad practice that any particular class of investor should be afforded opportunities for escaping taxation.

The fact that in Canada investors in common and preference shares get a rebate in income tax has nothing in common because these investors have already paid income tax on the entire profits of the corporations whose shares they own before these are distributed and are taxed again as individuals on the distributed profits. The rebate is therefore simply a partial relief from double taxation.

Like low interest loans, loans with interest free of income tax are indirectly subsidized loans and on this account alone are contrary to the policy that local governments should meet the cost of their local services.

A variant of the loan with interest free of income tax is that proposed by the Provincial Government at the last Federal-Provincial Conference namely that the Federal Government should lend municipalities money at 2%, the thought behind the proposal apparently being that the difference between this rate and the rate the Federal Government would have to pay — in fact the subsidy — would be covered by the income tax the Federal Government would collect from the lender on the interest paid. This seems to ignore the fact that, however disguised, the Federal Government would be foregoing part of its income tax revenue.

(iii) Co-operative Finance Organization.

So far as municipalities are concerned the idea of co-operative financing has the merit of being an attempt at self-help but the proposal is open to serious objections.

First, municipal borrowing would be subject to the approval of the organization—a serious sacrifice of local autonomy.

Second, there would necessarily be a ceiling to the organizations borrowing capacity so that sooner or later rationing of municipal borrowing in one form or another would become inevitable.

Third, the security behind the organizations borrowing would be the pooled assessments of the member municipalities and outstanding debentures would be analogous to a first mortgage on these assessments. Consequently any member municipality seeking to borrow outside the organ-

ization could only offer a second mortgage on its assessed values and hence would be faced with high interest rates as a result of its reduced credit rating.

Centralized financing in the case of municipalities grouped for a specific purpose on a basis of common interest as in a metropolitan area offers many advantages, but when the common purpose is absent, as it would be over the Province as a whole, municipalities would have little to gain and possibly much to lose.

For these reasons co-operative financing has many practical disadvantages especially in a rapidly growing country.

(iv) **Guaranteed Loans.**

Guaranteed loans provide a means whereby the senior governments, at no cost to themselves, can assist local governments financially to an important degree and from this point of view a federal guarantee is of greater benefit than a provincial guarantee.

On the other hand unless the volume of such borrowing is strictly controlled it could increase to such proportions as to affect the credit rating of the senior governments.

From the municipal point of view guaranteed loans would confer on all municipal governments the same credit rating — that of the guarantor — so that all the various factors that go to make a high credit rating would cease to have a significance and one of the most important incentives to good management would be removed.

For this reason also strict control is desirable.

RECOMMENDATION.

That assisted borrowing should be restricted to guaranteed loans, that the guarantee should be federal rather than provincial and that such loans should be limited to the provision of capital for local self-liquidating projects or to projects the cost of which is shareable between two or more levels of Government.⁵

26. The combined effect of these recommendations will be to relieve each level of government from the obligation of helping the other by placing financial responsibility where it properly belongs namely, at the provincial level for provincial services, at the local level for local services. This will not only remove the chief complaint of municipalities regarding their financial relationship with the Provincial Government but will also do much to foster self reliance, economy and careful adminis-

5. For some years the Provincial Government has guaranteed most debenture issues of villages. This has this year been extended to include a guarantee for all types of municipalities on debentures issued for the provision of capital for approved water and sewer projects.

tration at the local government level by removing the possibility of blaming the senior government for their financial difficulties which they have grounds for doing under present circumstances.

27. This division of financial responsibility will make additional demands on provincial revenue but at the same time it should greatly strengthen the case of the Provincial Government for a larger return from the tax rental agreement, first because the cost of the provincial services in question can only be fairly met from taxes based on ability to pay and second because under the rental agreement all true ability taxes are collected in the first instance by the Federal Government.

PART VI.

SUMMARY

28. In preparing this study the financial difficulties of municipalities have been taken as an accepted fact. They have been clearly and concisely put in the brief submitted by the Premier of British Columbia at the last Federal-Provincial Conference in the following words:

"This level of government, which takes the first impact of expansion, faces the most critical conditions of all levels of government today. Municipalities are faced with the most widespread demands for expenditure. Money for municipal purposes must be found if the standards of our communities are to be maintained. Inadequate revenues and current costs of borrowing have caused postponement of many essential local works. Such works should not be further postponed and cannot be if the country is to expand."

29. It is not, however, enough to recognize a disease, it is necessary to devise a cure and this the study has sought to do. To this end it has endeavoured to put the problem of provincial-municipal financial relations in the simplest possible terms; it has attempted to analyse objectively the various factors bearing on that problem, and it has tried to state the solution in the form of broad principles. Finally, it makes specific recommendations regarding the most important financial issues outstanding between the two levels of government.

30. Clearly there were two possible lines of approach. The first was to accept municipal responsibilities as they now stand as being in the natural order of things and to estimate the additional financial resources municipalities would require to enable them to discharge these responsibilities adequately. That has been the traditional and conventional approach. It has been the line of approach that has led to the situation now facing local governments — a line of approach that has led to the absurdity of the senior government conscripting a large part of municipal revenue for provincial purposes and then handing back a part of it disguised as grants-in-aid; a line of approach that has given local governments the appearance of importunate mendicants begging for handouts when in truth all they were seeking was some relief from the heavy imposition of supporting provincial and federal-provincial services; a line of approach that substituted expediency for policy; a line of approach that failed because it began nowhere and ended nowhere.

31. The second line of approach is that taken by this study — a line of approach that starts with a definite problem and ends with a readjustment of municipal responsibilities to accord with what are truly local functions and with the local financial resources available; a line of approach that will enable local governments to stand firmly

on their own feet without support; and a line of approach that will place control over local revenue and expenditure where it properly belongs, in the hands of Councils and of the local tax payers who pay the bills.

32. The Union of B. C. Municipalities believes that the study has followed its selected course without deviation; it believes the solution proposed to be simple, logical, realistic and fair, and to be of such broad and general application as to provide a basis of provincial-municipal financial relations not necessarily confined to British Columbia. Acceptance of the proposals means the end of grants-in-aid as it also means the end of municipal contributions to other than local services except in accord with rational principles. It does not necessarily mean lower taxation but it does mean that local taxation can be devoted to the provisions of those local services the community needs and must have if it is to play its allotted part in the development and well being of this country.

33. It is not suggested that the solution can be implemented in full immediately. Time may be necessary to convince public opinion and through public opinion the senior government of its essential justice and reasonableness. But the U. B. C. M. does suggest that the solution provides a definite goal to be attained, a consistent policy to be pursued, and a means of assessing the merits of provincial-municipal financial issues as they arise.



1719 London Street,
New Westminster B.C.

January 14, 1963.

Minister of Finance and Receiver-General,
Ottawa, Ontario.

Dear Sir:

Attached herewith is a brief on personal income tax inequalities dealing in particular with personal income tax exemptions for members of religious orders. We are aware that the Royal Commission on Income Tax is at present conducting an extensive examination of the entire income tax structure and in due course representations will be presented to this Commission relative to the said income tax preference.

However, when consideration is given to the amount of public funds involved, to the conspicuous injustice of this preference and to the urgency of the situation resulting from it, we believe it will be recognized by you and by other Members of the House of Commons, that action on this matter is long overdue.

We would call your attention also the fact that there are thousands of other persons engaged in religious, charitable and community work, all of whom must pay the income tax. The salaries of these people are paid, not from public funds, but from funds raised by voluntary contributions. A large number of members of religious orders, on



1 the other hand, receive salaries paid out of
2 public funds and yet are entirely exempt from the
3 payment of any income tax.

4 We believe that you and your colleagues
5 will recognize the injustice of the said income
6 tax preferences, and we respectfully request,
7 therefore, that careful consideration be given to
8 the contents of the attached brief and that action
9 be taken during the present session of the House
10 to implement the request made therein.

11 Respectfully yours,

12 Rev. Calvin H. Chambers, B.A., B.D.,
13 First Presbyterian Church,
New Westminster, B.C.

14 Rev. H. J. Hadley, B.A., B. D.,
15 Olivet Baptist Church,
New Westminster, B.C.

16 Rev. Canon Leslie T. H. Pearson, B.A.,
17 L.Th., C.D.
18 Rector Holy Trinity Cathedral (Anglican),
New Westminster, B.C.

19 A. Miles Nottingham, B.A.,
20 Barrister and Solicitor,
New Westminster, B.C.

21 V. E. Nordlund, B.A. B.Ed.,
22 Retired School Principal.

23 Reply to:

24 V. E. Nordlund,
25 1719 London Street,
New Westminster, B.C.



PERSONAL INCOME TAX INEQUALITIES

Incredible as it may seem, it is an absolute fact that a great many Canadians receiving taxable incomes are exempt from or evade the payment of all or part of their share of the income tax. In the personal income tax area, the greatest discrepancy is that of excessive deduction claims; that is, the practice of presenting receipts which are in excess of the actual donations made. On several occasions this problem has been brought to the attention of the House of Commons and the Hon. George C. Nowlan is to be commended for the positive action taken in dealing with same. It can be assumed that the Royal Commission, which is conducting a survey of all areas of the federal income tax, will give careful scrutiny to this discreditable practice which has reached alarming proportions.

Another major inequality in the personal income tax area is that of income tax exemptions for members of religious orders. In 1949 Parliament passed legislation which provides complete income tax exemption for members of religious orders who have taken the vow of perpetual poverty. (Section 27 (2) of the Income Tax Act) There are increasingly large numbers of these people receiving taxable income and employed in professions and occupations such as:



1. Teachers in public schools and in separate schools supported by public taxation,
2. Priests lecturing in provincial and in denominational universities,
3. Nurses and others employed in hospitals and similar institutions, civil servants, etc.

With other persons employed in these professions and occupations the income tax is deducted at the source; i.e. from their cheques. Members of religious orders doing the same work, enjoying the benefits of prevailing salary schedules and paid from the same sources, are entirely exempt from the payment of any income tax. A very large proportion of these people have their salaries paid out of public funds. The annual loss in revenue to the Federal Government resulting from these tax exemptions runs into some twelve millions of dollars or more and is, in effect, a subsidy paid to these religious orders at the expense of Canadian taxpayers. The obvious solution to this unjust situation is the deletion of Section 27 (2) from the Income Tax Act. Only by so doing can this discrimination be eliminated.

The fundamental principle of the income tax is that it is a tax on incomes received, and without reference to what people do with their income. There are certain standard exemptions applicable to all taxpayers; but, apart from



1 these exemptions, what a person does with his
2 income is not the concern of the government.
3 Moreover, in gratitude for the service rendered
4 by the Government of Canada in preserving our
5 freedoms, including freedom of religion, should
6 not religious groups of all creeds, as good
7 citizens, take their place among those Canadians
8 who willingly accept the responsibility and
9 privilege of sharing in the tax support of the
10 government of their country?

11 A drastic result of income tax preferences
12 enjoyed by the Roman Catholic Church is reflected
13 in the decline of Protestant-supported universities
14 and the rapid expansion of Roman-Catholic-controlled
15 universities. Records show that Protestants
16 established eight universities in Canada before
17 the Roman Catholic Church founded its first
18 university. Since the First World War there
19 has been a sharp reversal of this situation, and
20 now the Roman Catholic Church controls nearly half
21 the universities of Canada, together with some
22 eighty colleges giving course leading to a B.A.
23 degree. Only one Roman Catholic university has
24 been closed and none has been handed over to
25 provincial control, as have most of the Protestant
26 universities. There now remain only four Protestant-
27 controlled universities together with three
28 colleges giving courses leading to a B.A. degree.

29 While rising costs have forced the handing
30 over of many Protestant universities to provincial



1 control, the great income tax preference enjoyed
2 by the Roman Catholic Church has had much to do
3 with the rapid expansion of its universities.
4 Speaking recently at the formal opening of a
5 Roman Catholic College in the Lower Mainland of
6 British Columbia, the main speaker, a prominent
7 prelate, made the significant observation to the
8 effect that the growth of Roman Catholic education
9 in Canada during the past twenty years has been
10 phenomenal!

11 These income tax preferences constitute
12 a disturbing departure from the principle of
13 separation of church and state, a policy to which
14 the Government of Canada was committed by the
15 Disestablishment Act of 1851. This act completed
16 the separation of church and state in Canada and
17 granted complete equality of religion to all
18 Canadians, without "discrimination or preference".
19 Now, a hundred years later, widespread inequalities
20 again have penetrated the religious life of our
21 nation, not the least of which is that of income
22 tax preference.

23 It is respectfully requested, therefore,
24 that the House of Commons take immediate action to delete
25 the said discriminatory Section 27 (2) from the
26 Federal Income Tax Act.

27
28 V. E. Nordlund, B.A., B. Ed.,
29 1719 London Street,
30 New Westminster, B.C.



Representation Submitted by

S. A. BENSH
R.R.#3,
Nanaimo, B.C.

PRESENTED TO THE ROYAL COMMISSION ON TAXATION

The essence of tax collection is apparent, it is the basic source of supply for the maintenance of government for regulatory services, defence, education, health and all allied government services. Therefore, every cent collected in taxation creates new jobs, new earnings. By enlarging this concept, we see the creator of a multitude of jobs necessary to the welfare state and thus tax collection seems equitable, yet basically it is both controversial and destructive.

Tax collection remains for ever reactionary by nature. In the long run, it can be most harmful, since its retrogressive effect undermines the very existence of the taxpayer.

Tax collection was most efficiently applied in the Roman Empire. The Romans imposed exorbitant taxation on countries they conquered and applied it as a preventative measure to check power and keep countries in continual slavery. At the same time, the impoverished countries degenerated into breeding grounds for slaves, so necessary for the mighty Roman Empire.

In the past, tax collection was rather an inhuman act. Yet, centuries ago, Germany modernized it and applied it on idle wealth. It was utilized successfully, and later accepted in other countries as well.



1 Throughout history, it has remained a curse
2 upon every country wherein it was applied carelessly.
3 The most significant example, the Roman Empire, attained
4 its unlimited power through it, but also its own complete
5 destruction. Taxation being a reactionary force sooner
6 or later recoils upon itself to its ultimate destination,
7 its starting point, thus causing irreparable destruction
8 when these controversial causes are not detected in time.
9 It is regrettable its actual function is rather neglected
10 usually.

11 The miserable struggle went on for millineums
12 with its ups and downs; yet the fact remained that
13 taxation in many circumstances had been a curse, but
14 after all there was no way to alleviate the unjust
15 obligatory heavy burden as power machines did not exist.

16 With the arrival of James Watt's great invention
17 of 1769, the greatest emancipation and change have
18 occurred. The inauguration of his machines is the
19 turning point in the progress of mankind, creating wealth,
20 welfare, and a higher living standard. Unfortunately,
21 since Watt, even eminent leaders have stated erroneously
22 that taxation spreads wealth and paves the way for higher
23 living standards, neglecting the fact that the power
24 source behind the unlimited tax craze is the steam
25 engine and similar machines. The real equalizer, however,
26 was the gold standard, having worldwide facilities and
27 centred in the Bank of England.

28 Without power machines and a gold standard or
29 as present even under a faulty monetary system, high
30 taxation would create only misery and poverty. But its



1 most detrimental effect remains, that of creating shortage,
2 a shortage which is steadily growing and necessarily
3 requires excessive time to maintain the so called gainful
4 earning ability that enables production to be carried on
5 a permanent basis. Furthermore, both direct and
6 indirect taxation in many instances block the wealth and
7 capital creating capacity of the monetary system.

8 The mass creation of 'gimmick' jobs hinders
9 necessary development and imposes unnecessary development
10 for production. To alleviate mounting unemployment,
11 more 'gimmick' jobs are created, instead of new goods.
12 More new goods, not jobs, will be the answer. However,
13 taxation in itself, has no corrective measure, so it
14 upsets the balance between production and consumption.

15 The induced shortage forces production to over-
16 production, simultaneously reducing earning capacity, where
17 excessive taxation prohibits a prosperous workable system.

18 Further aggravating the situation, the
19 exponents of the monetary system, headed by the
20 Governor of the Central Bank, move to curtail the
21 money supply. This places the unsound money value far
22 above the value of goods, which in itself creates an
23 artificial shortage in money supply, while the country
24 is flooded with unsold goods. They thus overlook the
25 fact that as taxation grows, more extensive the shortage
26 created in the money supply will be larger, and the closer
27 to reverting to printing press money. The application of
28 restricted credit and high interest rates as a corrective
29 measure is beyond comprehension. High interest rate being
30 an indirect tax with double incident, and by restricted



1 credit, taxation will gain automatic elevation.

2 The obscure concept that taxation could be ex-
3 panded to the same extent as machine production, auto-
4 mation, expands, cannot be upheld. Tax dollars are never
5 produced by machine - tax dollars are man's property only.
6 Expanding taxation, if excessive, shifts automatically to
7 the unfavourable side of wealth creation and so throws off
8 the balance, instead of counteracting it. In consequence,
9 one segment of the economy overdevelops and prosperity
10 becomes rugged.

11 The present faulty system indicates that we are
12 producing goods in abundance with less and less men, instead
13 of with less and less man hours. With steadily mounting
14 taxes, we create customers by too many gimmicks, and they
15 are out of proportion. To uphold the eight-hour daily
16 occupation for everyone, with the aim to maintain buying
17 power. The change developed gradually since Watt. Power
18 machines gradually turned a deficient production to a
19 sufficient one, and is now deteriorating since surplus
20 production has been achieved. A striking example resulted
21 during this advancement as money gradually transformed from
22 coin to credit note and banknote. The introduction of the
23 banknote was the turning point in money supply. The actual
24 function of the banknote remained unclarified. Its issuing
25 effect has been seldom utilized to the fullest extent.

26 With surplus production, there is no feasible
27 method of promotion progress evenly between the
28 different countries with the aid of the gold standard.
29 It has ceased to exist and since then, foreign trades
30 are hampered and faced with unavoidable difficulties.



1 As taxation made it possible that domestic exploitation
2 transformed itself to the exploitation of foreign lands.

3 Excessive taxation developed with the 2nd World
4 War. During the war, even excessive taxation was
5 applicable. Why? The immense goods supply by which
6 a war is carried on reallocates occupation to the most
7 efficient production. With supply facing unlimited
8 demand made it possible that the proper velocity of
9 the money is creating untold wealth beside excessive
10 taxation.

11 At present there is a world wide trend to
12 create common markets. During the war, a free trade
13 area existed for war materials. To copy it and elim-
14 inate tariff does not solve the problem. Nevertheless,
15 the undermining effects of tariffs are obvious, as
16 it enlarges shortages in buying power, but tariffs
17 are insignificant in themselves. To achieve equilibrium,
18 greater things are necessary. The common market's aim
19 is not only to eliminate the damage caused by tariffs
20 but to prevent the entry of foreign products, to
21 eliminate surpluses. As in such cases, as the imported
22 foreign product has the tendency to dislocate existing
23 occupations. Therefore, the aim is to exclude countries
24 with surplus production, as it undermines prosperity.
25 To eliminate surplus, as was the case during the war,
26 and during the gold standard period. So far, it is
27 not clear if they know "how to eliminate surplus
28 production", inside their own territory, if they do
29 not, the common market will not survive. No common
30 market, or any system in use, can eliminate the differences



1 which exist between the geographical natural value and
2 the sale value of goods. There will always be a
3 difference in price value between two points, thus
4 advantages or disadvantages will occur, resulting in loss
5 of money. It will be noticed during
6 the overhaul period. Only the accomplished overhaul
7 will bear it out.

8 It is not the aim of this brief, although it
9 is within its scope, to call attention for the present
10 world wide dilemma. Almost every government is faced
11 with unsurmountable difficulties, economic troubles,
12 communistic upheavals, mixed with anarchy, and a
13 solution is nowhere in sight. It is most regrettable
14 to witness the disintegration of the British Empire,
15 the original place of the steam engine, and the
16 developer of the gold standard. Both have been the
17 most beneficial means for human progress. There are
18 indications that the situation behind the iron curtain
19 is no better either. The dictatorial power, and manip-
20 ulated and forceful planning, suppress the aim for proper
21 solution.

22 Taxation, being a reactionary force and contro-
23 versial in its effect, explains why it is so extremely
24 difficult to encompass its actual function. However,
25 it appears that taxation with all its faults and
26 benefits, aims to maintain the eight-hour daily occupation
27 by all means available, for everyone. Yet there is no
28 escaping taxation, and it must be reformed. In that
29 case, the eight-hour daily occupation will collapse
30 as it is almost too late to start with such planning.

The main benefit of taxation rests on the fact



1 that with controversial effects, it increases the
2 velocity of the money, supplies extra buying power,
3 whilst excessive taxation acts as confiscation, lowers
4 the velocity of the money. Consequently, the necessary
5 wealth and profit creating capacity of the money diminishes.
6 The above fact clearly indicates why a never-ending
7 shortage developes in communistic states. Under state
8 ownership, the velocity of the money remains below
9 the necessary speed, to create enough wealth, even
10 without excessive taxation, confiscation. The necessary
11 velocity of the money, the elixir of prosperity, occurs
12 as a gift only by widespread and extensive buying and
13 selling of goods, and not by creating millions of new
14 jobs. A glaring example of how fast an unbearable
15 shortage developed is in Cuba.

16 This obvious intensive buying and selling
17 modifies the velocity of the money and fluctuates in
18 accordance with the trend. To maintain even velocity,
19 the instalment buying makes the necessary adjustment.
20 Actually, instalment buying acts as governor, regulator
21 to maintain even velocity in money circulation. There-
22 fore, to curb imbalanced taxation with austerity is
23 the most absurd advice, In consequence of the reduced
24 velocity, taxation will be even more reactionary and
25 more imbalanced. Such an unfortunate experiment may
26 unleash the communistic forces.

27 Dealing with tax problems, it is evident that
28 it cannot be divorced from the monetary system. Taxation
29 and monetary system are an unhappy marriage, a union by
30 itself. A Motive force, with two opposing poles. If



1 the reactionary force gains over hand, then the monetary
2 system malfunctions, and is not carrying the necessary
3 load. Machine production can flood the country with
4 goods, yet money controls and regulates the access to it,
5 taxation again interferes or controls the quantity and
6 quality of the money.

7 Such an immense concentrated and interlocking
8 power should be managed with utmost responsibility, and
9 with superior know-how. It is not the case. The Governor
10 of the Central Bank and the Minister of Finance are usually
11 incompetent for the office, and are rather interfering
12 with the most powerful machinery without knowing its
13 actual function. Therefore, the dismissal of the previous
14 Governor was unquestionably justified, but certainly
15 it appears humiliating when his successor carries on
16 the same impractical policy and is not dismissed. It
17 remains an open challenge to the present Bank Governor
18 and his responsibility and know-how. It may be an
19 excuse for the elected Minister of Finance lacking in
20 office experience, but not for the trained and experienced
21 Governor.

22 Canada is a leader in unemployment between the
23 nations, so she must be leading in excessive taxation as
24 well. In comparison to the goods it produces, with limited
25 manpower but extensive machine power. To estimate the
26 immense amount of taxes, it should not be overlooked
27 that there are direct and indirect forms of taxation. To
28 the indirect form of taxation belongs advertisement, all
29 the forms of insurance except life, insurance commission
30 fees, freight transportation costs and charges, money



1 interest rate and charges. They are accepted as necessary,
2 unavoidable, profitable services, expenses, indirect taxes.
3 With so much direct and indirect taxation, there remains
4 no doubt that Canada leads in the field of excessive
5 taxation. All of this contributes to employment earnings
6 and profit - they are rendering a great service to the
7 whole economy, but now without aggravating the imbalance,
8 causing an unfavorable balance of payment externally with
9 expanding deficit financing status internally. Inviting
10 foreign investment, extensive borrowing, unfavourable
11 trade balance. The terrific inflow is caused by the
12 imbalanced internal system. Therefore the inflow of
13 foreign capital is not used only for the purpose to open
14 up new resources. By the way, Canada is not short in
15 opened up resources. The charge that the people in Canada
16 do over spend is a baseless conjecture. Canada needs
17 the money for upkeep and maintenance to make up for the
18 shortage which has been created by excessive taxation,
19 direct and indirect, and aggravated by a malfunctioning
20 monetary system.

21 Taxation dollars create employment. There-
22 fore an investigation of this creativity seems in
23 order, especially when it is adverse and creates only
24 harm, in other words, unemployment besides curtailed
25 earning power. The effects of taxation can be clearly
26 illustrated in all three taxation forms:

27 1. Succession Duties - In addition to the heavy burden
28 that this form of taxation imposes from the outset,
29 it also instantly destroys this accumulated wealth the
30 very moment that it is taken away. Thus a lifetime of



1 gathered wealth disappears simply by its transfer and
2 points out the omnipotent force of taxation. Many are
3 guilty of this - Labour leaders crying for excessive
4 and heavy taxation and the wealthy; ministers and law-
5 makers marching in step with these demands and subse-
6 quently enact legislation, unwittingly destroying this
7 accumulated wealth by taxation and not realizing that
8 taxation is not a counter balancing remedy to restore
9 the destroyed wealth. It is easy to make wealth disappear
10 by careless or forceful reaction and then to demand that
11 the heavily taxed would-be investor would now invest
12 in home enterprises when he has already been denuded
13 of his original savings.

14 Even worse than this, we must bear in mind
15 that investment capital creation is forestalled by the
16 present monetary policy which negates against any measure
17 for capital accumulation.

18 2. Civil Servant Taxation - This is an unwarranted
19 extravagance and waste, wherein legions of civil servants
20 are taxed on salaries which, in the first place, were
21 collected taxes. This in effect is double taxation
22 or increased waste to wealth. There are many contro-
23 versial aspects. The Civil Service has excessive personnel
24 with depressed wages. Such action may be temporarily
25 justifiable, but permanently economically harmful. Both
26 postal services and personal taxation direct to the
27 individual is rather illegal. Postal service is really
28 self-sufficient through its monopoly and should
29 receive extraterritorial rights. These may appear
30 to be a play on words, but nevertheless it clearly



1 illustrates the economic strain burdening society from
2 rampant beaurocracy. Instead of utilizing the tax dollar
3 to its maximum benefit, we find the tax dollar producing
4 precious little. Even so, such a negative procedure
5 could be tolerated in view of this machine age production
6 which overwhelms the country in its productive capacity.
7 But, unfortunately, this cannot happen under our present
8 restrictive monetary system seeking a balance.

9 3. Taxing Taxes - It could be argued that the first
10 two methods, in spite of their disadvantages, nonetheless
11 create new employment. Actually, the tax on taxes
12 is such a destructive force that in its cycle it causes
13 endless dislocation of employment as well as loss of
14 employment. Financially, it weakens and undermines
15 enterprises and finally it reaches down to the taxpayer
16 and threatens his existence.

17 It has the dual effect of depressing prices
18 and at the same time increasing prices - the latter
19 effect coming from the desire of the producer who tires
20 to meet the new challenge by greater output to overcome
21 the additional expenses. This process upsets price
22 structures and an upward trend is inevitable. The process
23 also adversely affects the money market, since it creates
24 a shortage and at the same time devaluates as well. The
25 financiers, sensitive to this fluctuation applies
26 higher interest rates as a counter measure, which,
27 obviously, is adding fuel to the fire. The imbalance
28 steadily aggravates the situation wherein the original
29 producers suffer and have the greatest amount in earning
30 power, removed from them, regardless of their increased out-



1 put, which is already in excess of consumer demand.

2 Thus fixed prices or a floor to prices is
3 necessary now that a competitive trading situation cannot
4 find its natural price levels with the additional tax
5 burdens adversely effecting its flow.

6 Now let us look at the indirect taxes involved
7 under point 3. These are:

- 8 (a) Insurance taxation
9 (b) Advertising taxation
10 (c) All freight transportation and costs
11 (d) All items related to finance, banking, especially
12 interest rates.

13 The indirect taxes involve two groups - one
14 essential but the other is not unavoidable and necessary.
15 In this latter group, we have (a) and (b) above. These
16 could expand through tax concessions and this would be
17 improper. Moreover, taxation being reactionary, is
18 certainly no corrective measure. Tax concession can
19 only be rectified through monetary adjustment.

20 But other confusing facts remain. For example,
21 taxes, both direct and indirect, are invested in govern-
22 ment bonds on a permanent basis. When shortages occur
23 credit loans are obtained for bond investment, for
24 construction projects and for repayment of accrued debts.

25 Actually it means the suicide with tax dollars;
26 naturally it is advantageous as long as the building
27 construction lasts, as it supplies additional employment
28 and earnings, but as soon as the building is completed,
29 there it stands as a monument of real accumulated wealth.
30 If repayment is attempted, it means that taxes are collected



1 in advance without a notifiable tax basis. This proves
2 clearly to what extent goods have to be exported to
3 make up for the creeping and crippling loss, without
4 improving the home economy. The cause of this adverse
5 austerity has been created by our elected representatives
6 who do not realize the consequences. To remedy the existing
7 austerity with its heavy toll by even more intensive internal
8 austerity, only makes the situation worse. High interest
9 rates overload the money supply. Taxation reacts
10 accordingly and creates friction, reducing economic
11 growth. Diminishing purchasing power causes inflation
12 even if prices are stationary. It is a problem of
13 utmost importance since it means degrading Canada to the
14 role of a satellite for a foreign power when the borrowing
15 becomes so reckless that she obtains credit from foreign
16 countries for such purposes as discussed previously.

17 As it was pointed out through various examples
18 that taxation and the monetary system are inseparable;
19 we come now to highlight the purpose, if any, served
20 by the Central Bank. Are the executives of the Bank
21 only stooges for the international gang to exploit every-
22 thing for the sake of monied interest, or is the Central
23 Bank with its immense power here to serve its own nation.
24 In the same time, it is rather unfair to exploit foreign
25 customers with stepped up export trade, in order to
26 recover the loss, as the present monetary policy does
27 not serve the nation in accordance with the rapidly
28 changing power machine age.

29 Since money transformed itself from coin to
30 banknote, the currency has changed from direct to alternating



1 as well.. The change means an entirely new and different
2 method of utilization in comparison with past practices.
3 The change developed with the aid of power machine produc-
4 tion. Therefore this new utilization should be, or
5 must be applied in conformity with present power machine
6 production demands.

7 When men and materials are idel and in abundance
8 and tasks are many, it is regrettable, if undertakings are
9 not commenced simply because money is not available. Money
10 is an exchange medium not only to release accumulated
11 principal or capital or convey credit, but also to release
12 and utilize power and labour, even when in turn accumulated
13 principal and capital not yet available. The above
14 statement could be held invalid by scrupulous monetary
15 men as fictitious, even if it is absolutely valid and
16 applicable in currency. But in the case when the exchange
17 medium is a printing press for money substituting tax
18 dollars to counteract the damaging effect of taxation,
19 then the currency does not, in this circulation, function
20 the same as if releasing stored-up principal or capital.
21 In reversing the trend instead releasing accumulated
22 principal, printing press currency is converted to money
23 of real worth. This proves the fallacy of the Central
24 Bank policy. Since an exchange medium no longer possesses
25 a standare to qualify it, issuing of banknotes is nothing
26 more than putting into circulation printing press currency
27 on a moderate scale. Therefore the princple and function
28 of the Central Bank should be to strive for a balance.
29 High interest rates overload money supply with harmful
30 practices by issuing currency, and thus the main objective



1 for the balance is lost altogether. It would be worth-
2 while to investigate the relationship between the Central
3 Bank and the Treasury Department during the period
4 Graham Tower and Douglas Abbott had been in office. They
5 achieved surplus and prosperity year after year. They
6 could furnish valuable information in this regard. It
7 is ominous to note that since they retired, Canada has
8 faced endless trouble and austerity. It is regrettable
9 that such an excellent state of affairs so quickly
10 vanished when incompetent men take office. Furthermore,
11 it is evident Canada developed during Graham Tower's
12 tenure of office, from a state of moderate means to one
13 of great wealth and prosperity. Was it achieved by the
14 activity of its people and businessmen? No! The newly
15 established Central Bank had been governed by a man
16 who contributed wealth and welfare for every citizen
17 without this having been recognized.

18 A balance in the monetary system appears as
19 a glittering phenomenal reflection. As long as the balance
20 is intact, it is insignificant, but if imbalance occurs,
21 and regardless of effort, know-how or wisdom combined
22 in pursuit and fails to restore it., then the indication
23 is that this balance maintenance requires a man like
24 Graham Tower, one of the few legendary bank governors
25 who fortunately exist some time. Hear, Hear, Mr. Tower!

26 It is even more obvious that taxation and monetary
27 system are in unison, the present unfavourable tax system
28 could not be remedied without remedying the malfunctioning
29 monetary system. Therefore an analysis of everything
30 in the monetary field should be undertaken. However,



1 as I do not know to what extent this submitted brief
2 will impress the distinguished members of the Royal
3 Commission, I would rather undertake the task, but
4 only if the Commission so desired it and if they advised
5 me to do so.

6 In the meantime, I sincerely hope that the
7 Commission will investigate all avenues of approach
8 leading to the solution of taxation problems. I
9 am convinced my brief contains one worthy of consideration.

10
11 Respectfully submitted.
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ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

R.M.D.1, Duncan, B.C.

April 8th, 1963.

The Chairman,
The Royal Commission on Taxation,
P. O. Box 466, Ottawa, Ontario.

Dear Sir:-

Enclosed please find a Brief on the subject:
The Federal Income Tax Act and The Federal-Provincial
Fiscal Arrangements Act of 1961.

In the judgment of the Supreme Court of
Canada, officially cited as (1951) S.C.R. 31, Chief
Justice Rinfret states:-

"The Constitution of Canada does not belong
either to Parliament, or to the Legislatures: it belongs
to the Country, and it is there that the Citizens of
the Country will find the protection that Parliament
can legislate only on the subject matters referred to it
by Section 91 (of the BRITISH NORTH AMERICA ACT,) and
that each Province can legislate EXCLUSIVELY on the
subject matters referred to it by Section 92. The
Country is entitled to INSIST that legislation adopted
under Section 91 should be passed exclusively by the
Parliament of Canada in the same way as the people of
each Province are entitled to INSIST that legislation
concerning matters enumerated in Section 92 should come
EXCLUSIVELY From their respective Legislatures." (end
of quotation.).

Therefore as "DIRECT TAXATION within the
Province" is given EXCLUSIVELY to the Legislatures of



1 of the Provinces by Section 92 (2) of the BRITISH NORTH
2 AMERICA ACT and as Parliament cannot legislate on
3 matters given EXCLUSIVELY to the Legislatures of the
4 Province by Section 92, therefore, under the judgment of
5 the Supreme Court of Canada, the Federal Income Tax Act
6 and The Federal-Provincial Fiscal Arrangements Act of
7 1961 are Ultra Vires, and therefore illegal.

8 Please find attached Extracts from the judgment
9 of the Supreme Court of Canada in Question As Exhibit 'A'.

10 Further, in his 'Communist Manifesto', Karl
11 Marx states that if a GRADUATED Income Tax could be
12 imposed on the Capitalistic nations, it would so kill
13 their initiative by taking away their incentive to make
14 money, that they would become so apathetic that they
15 could be overcome by Communism.

16 Still again the Communist 'Manual of Instructions
17 for Psycho-political Warfare,' issued by Lenin University,
18 Moscow, states:-

19 "The masses must at least come to believe that
20 only EXCESSIVE TAXATION of the rich can relieve them of
21 the 'burdensome leisure class' and can thus be brought
22 to accept such a thing as INCOME TAX, a Marxist principle
23 SMOOTHLY SLID into Capitalistic framework in 1909 in the
24 United States. This even though the BASIC LAW of the
25 United States forbade it and even though Communism at
26 that time had been active only a few years in America.
27 Such SUCCESS as the INCOME TAX LAW, had it been
28 followed thoroughly, could have brought the United States
29 and not Russia into the world scene as the first
30



1 Communist nation." (end of quotation).

2 Therefore, it is apparent that the GRADUATED
3 Income Tax and other EXCESSIVE TAXATION, such as the
4 Corporation Tax, are of Communist origin, and their
5 imposition in our Countries is Communist-inspired, and
6 for the purpose of breaking down our Free Enterprise
7 system, so that our Countries can be overcome by
8 Communism.

9 Please find enclosed copy of the said Communist
10 'Manual of Instructions for Psychopolital Warfare' as
11 Exhibit 'B', so that the above quotation can be verified.

12 The said Brief and Exhibits are respectfully
13 submitted for your consideration, please.

14 Yours Very Truly,

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16 F.H.M.Codville, Lt.Col.(Ret'd).
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B R I E F

TO

THE ROYAL COMMISSION ON TAXATION

Subject: THE FEDERAL INCOME TAX ACT:

THE FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS
ACT of 1961.

WHEREAS:-

In the case of 'The Attorney-General of Nova Scotia versus The Attorney-General of Canada,' the judgement of the Supreme Court of Canada, as released on October 3rd, 1960, (Cited as (1951) S.C.R. 31,) States:

"The Constitution of Canada does not belong either to the Parliament, or to the Legislatures of the Provinces: it belongs to the COUNTRY, and it is there that the Citizens of the Country will find the PROTECTION of the RIGHTS TO WHICH THEY ARE ENTITLED."

Therefore:-

As a citizen of the Country, to which the Constitution belongs, I respectfully make the following submission to the Royal Commission on Taxation.

WHEREAS:-

The following Extracts are extracted from the said judgement of the Supreme Court of Canada:-

Chief Justice Rinfret states:-

"The Parliament of Canada and the Legislatures of the several Provinces are sovereign within their sphere defined by the BRITISH NORTH AMERICA ACT, but



1 none of them has the unlimited capacity of an individual.
2 They can exercise only the legislative powers respectively
3 given to them by Sections 91 and 92 of the Act, and these
4 powers must be found in either of these Sections."

5 "The Constitution of Canada does not belong
6 either to Parliament, or to the Legislatures: it belongs
7 to the Country, and it is there that the Citizens of the
8 Country will find the protection of the rights to which
9 they are entitled. It is part of that protection that
10 Parliament can legislate only on the subject matters
11 referred to it by Section 91 and that each Province
12 can legislate EXCLUSIVELY on the subject matters referred
13 to it by Section 92. The Country is entitled to INSIST
14 that legislation adopted under Section 91 should be
15 passed exclusively by the Parliament of Canada in the
16 same way as the people of each Province are entitled
17 to INSIST that legislation concerning the matters
18 enumerated in Section 92 should come EXCLUSIVELY from
19 their respective Legislatures. In each case the Members
20 elected to Parliament or to the Legislatures are the
21 only ones entrusted with the power and the duty to
22 legislate concerning the subjects EXCLUSIVELY distributed
23 by the Constitutional Act to each of them."

24 "No power of delegation is expressed either
25 in Section 91 or in Section 92, nor, indeed, is there to
26 be found the power of accepting delegation from one body
27 to the other: and I have no doubt that if it had been
28 the intention to give such powers it would have been
29 expressed in clear and unequivocal language. Under the
30



1 scheme of the BRITISH NORTH AMERICA ACT there were to
2 be, in the words of Lord Atkin in THE LABOUR CONVENTIONS
3 REFERENCE (1937) A.C. 326, "Watertight compartments
4 which are an essential part of the original structure."

5 "Neither legislative bodies, Federal or
6 Provincial, possess any portion of the powers respectively
7 vested in the other and they cannot receive it by
8 delegation. In that connection the word "EXCLUSIVELY"
9 used in both Section 91 and in Section 92 indicates a
10 settled line of demarcation and it does not belong to
11 either Parliament, or to the Legislatures, to confer
12 powers upon the other." (St. Catharine's MILLING CO. v.
13 THE QUEEN, (1887) 13 Can. S.C.R. 577 at 637.) by Strong
14 J. C.P.R. v. NOTRE DAME DE BONSECOURS PARISH. (1889)
15 A.C. 367.

16 Mr. Justice Taschereau states:-

17 "It is a well settled proposition of law that
18 jurisdiction cannot be conferred by consent. None of
19 these bodies can be vested directly or indirectly with
20 powers which have been denied them by the B.N.A. Act,
21 and which therefore are not within their constitutional
22 jurisdiction."

23 In THE CITIZEN'S and the QUEEN'S INS. CO. v.
24 PARSONS, (1881, 4 Can. S.C.R. 215,) Mr. Justice
25 Taschereau expresses his views at 317, stating:-

26 "But the Federal Parliament cannot AMEND the
27 BRITISH NORTH AMERICA ACT, nor give, either expressly or
28 impliedly, to the local Legislatures, a power which the
29 Imperial Act does not give them. This is clear, and
30 has always been held in this court to be the law."



1 Mr. Justice Kellock states:-

2 "Under the statute the powers committed to
3 Parliament and to the Provincial Legislatures
4 respectively are, as already stated, EXCLUSIVE. If
5 therefore Parliament, for example, were to purport to
6 authorize a Provincial Legislature to exercise legislative
7 jurisdiction assigned exclusively to the former, any
8 exercise of such authority by the latter would in fact
9 be an attempt "to make laws" in relation to a matter
10 "assigned exclusively" to Parliament, and consequently
11 prohibited to the Provincial Legislature. In the same
12 way, if a Provincial Legislature purported to authorize
13 Parliament to legislate with respect to any of the
14 matters enumerated in Section 92, and Parliament
15 attempted to act upon such authorization, it would
16 similarly be attempting "to make laws" in relation to
17 a matter assigned exclusively to the Provinces."

18 Mr. Justice Fauteux states:-

19 "The true question is whether or not it is
20 within the competence of the Parliament of Canada and
21 within the competence of the Legislature of a Province
22 to exchange between themselves or transfer to one
23 another, directly or indirectly, temporarily and from
24 time to time, a legislative authority they both possess
25 only by virtue of the BRITISH NORTH AMERICA ACT, 1867,
26 (hereinafter referred to as the Act) and which each, to
27 the EXCLUSION OF THE OTHER, can exercise only with
28 respect to certain classes of subjects."

29 And again:-
30



"While the two former Sections (Sections 91 and 92,) provide for a distribution of legislative powers between Parliament and the Legislatures of the Provinces, they go further, and BAR ONE FROM ENTERING THE LEGISLATIVE FIELD ASSIGNED TO THE OTHER. This distribution, and the Prohibition which is a necessary corollary of it, constitute a peculiar feature of the Act with respect to the right to delegation and calls for different considerations in applying it. Each of these legislative bodies, equally sovereign within its own field, has the right to delegate its legislative authority to a subordinate body, for - as was done under the War Measures Act - generally the right to delegate is tacitly included in the right to legislate and, within one's own field, is not denied under the Act. Beyond their respective spheres, both Parliament and the Legislatures are POWERLESS and each is SPECIALLY DENIED the legislative powers given to the other. In these circumstances, I fail to see, firstly, how in the absence of express terms, one could assume the right to accept delegation, and, secondly, how one could claim the right to make a delegation of powers to one which, in express terms, is BARRED FROM EXERCISING THEM. Either one of these conclusions would justify the statement that such right to delegate is excluded under the Act, for delegation implies a delegator capable to delegate and a delagatee capable to accept, Legislative jurisdiction cannot be assumed to be given by consent. Had it been the intention of the Imperial Parliament to give one



1 legislative body the right to delegate to the other,
2 the word "EXCLUSIVELY" in both Sections would have been
3 omitted. In the context, this word is without object
4 unless it is to DEBAR ONE LEGISLATIVE BODY FROM
5 EXERCISING ANY KIND OF LEGISLATIVE AUTHORITY WITH
6 RESPECT TO MATTERS WITHIN THE JURISDICTION OF THE OTHER."
7 (end of extracts from judgement of the Supreme Court of
8 Canada.)

9 AND WHEREAS:-

10 Section 91 of the BRITISH NORTH AMERICA ACT
11 states:-

12 91. "It shall be lawful for the Queen, by and
13 with the Advice and Consent of the Senate and the House
14 of Commons, to make Laws for the Peace, Order, and
15 GOOD Government of Canada, in relation to all matters
16 NOT coming within the Classes of Subjects by this Act
17 ASSIGNED EXCLUSIVELY to the Legislatures of the
18 Provinces:" etc. etc.

19 Therefore:-

20 Whilst Section 91 gives powers to the Senate
21 and the House of Commons to make Laws for the Peace,
22 Order, and Good Government of Canada, it denies this
23 power in relation to ALL Matters coming within the
24 Classes of Subjects ASSIGNED EXCLUSIVELY to the
25 Legislatures of the Provinces.

26 AND WHEREAS:-

27 Section 92 of the British North America Act
28 states:-

29 92. 'In each Province the Legislature may
30



1 EXCLUSIVELY make Laws in relation to Matters coming
2 within the Classes of Subjects next hereinafter
3 enumerated; that is to say:-

4 (2) 'DIRECT TAXATION WITHIN THE PROVINCE in order to
5 the Raising of a Revenue for Provincial purposes.'

6 Therefore:-

7 DIRECT TAXATION WITHIN THE PROVINCE is the EXCLUSIVE
8 RIGHT of the Legislatures of the Provinces.

9 AND WHEREAS:-

10 It is stated in the said judgement of the
11 Supreme Court of Canada:-

12 "Beyond their respective spheres, both
13 Parliament and the Legislatures are POWERLESS and each
14 is SPECIALLY DENIED the legislative powers given to
15 the other." and also: "Had it been the intention of the
16 Imperial Parliament to give one legislative body the
17 right to delegate to the other, context, this word is
18 without object unless it is to DEBAR ONE LEGISLATIVE
19 BODY FROM EXERCISING ANY KIND OF LEGISLATIVE AUTHORITY
20 WITH RESPECT TO MATTERS WITHIN THE JURISDICTION OF THE
21 OTHER."

22 Therefore:-

23 The Federal Income Tax Act, which under Section
24 92 of the BRITISH NORTH AMERICA ACT, is unconstitutional,
25 is under the said judgement of the Supreme Court of
26 Canada, Ultra Vires, and therefore illegal.

27 AND WHEREAS:-

28 Under the Federal-Provincial Fiscal Arrangements
29 Act of 1961, Parliament and the Legislatures of the

30



Province are continuing to ILLEGALLY exchange their legislative powers, whilst Parliament is imposing and collecting DIRECT TAXATION within the Provinces, of which it retains some 80% of contravention of Section 92 of the BRITISH NORTH AMERICA ACT:

Therefore:-

The Federal-Provincial Fiscal Arrangements Act of 1961, which under Section 92 of the BRITISH NORTH AMERICA ACT is unconstitutional, is under the said judgement of the Supreme Court of Canada, Ultra Vires, and therefore illegal.

AND WHEREAS:-

The said judgement of the Supreme Court of Canada states:-

"The Constitution of Canada does not belong either to the Parliament, or to the Legislatures: it belongs to the COUNTRY, and it is there that the Citizens of the Country will find the protection of the RIGHTS TO WHICH THEY ARE ENTITLED:"

Therefore:-

The Parliament and the Legislatures have no POWER TO AMEND the BRITISH NORTH AMERICA ACT, as under the said judgement of the Supreme Court of Canada it would require a plebiscite by the Citizens of the Country to authorize its amendment, as it belongs to the Citizens of the Country.

AND WHEREAS:-

In his 'Communist Manifesto', Karl Marx (real name Mordecai,) states that the Capitalist nations could



1 be overcome through the imposition of a GRADUATED Income
2 Tax, which would kill their initiative, and make them
3 apathetic by taking away their incentive to make money;
4 and thus they could be overcome by Communism.

5 AND WHEREAS:-

6 The Communist 'Manual of Instructions for
7 Psychopolitical Warfare', issued by Lenin University,
8 Moscow states:-

9 'The masses must at least come to believe that
10 only EXCESSIVE TAXATION of the rich can relieve them of
11 the "burdensome leisure class" and can thus be brought
12 to accept such a thing as INCOME TAX, a Marxist
13 principle smoothly slid into Capitalistic framework in
14 1909 in the United States. This even though the BASIC
15 LAW of the United States forbade it and even though
16 communism at that time has been active only few years
17 in America. Such SUCCESS as the INCOME TAX LAW, had it
18 been followed thoroughly, could have brought the United
19 States and not Russia into the world scene as the first
20 Communist nation.' (Chapter 3, Para 15.)

21 Therefore:-

22 It is apparent that the GRADUATED INCOME TAX
23 and other EXCESSIVE TAXATION is of Communist origin,
24 and its imposition in our Countries is Communist-inspired
25 and for the breaking down of our economies so that our
26 Countries can be overcome by Communism.

27 AND WHEREAS:-

28 Canada is severely troubled by unemployment
29 at the present time,
30



1 AND WHEREAS:-

2 The Corporation Tax is the basic cause of such
3 unemployment, as through it the Government confiscates
4 some 50% of the net profits from business firms, whereby
5 such firms are unable to expand sufficiently to employ
6 our rapidly growing population, and which automatically
7 causes unemployment.

8 AND WHEREAS:-

9 The Corporation Tax kills the initiative of
10 businessmen, as it deprives them of their incentive to
11 make profits:

12 Therefore:-

13 The Corporation Tax, like the GRADUATED INCOME
14 TAX, is part of the Communist-inspired EXCESSIVE
15 TAXATION, and is for the purpose of causing unemployment
16 and breaking down our Free Enterprise system, so that
17 our Countries can be overcome by Communism.

18 AND WHEREAS:-

19 This Communist-inspired EXCESSIVE TAXATION is
20 used to provide funds to establish the Fabian-Socialist
21 Welfare State, and thus break down our Free Enterprise
22 System, and as a step towards World Government:

23 Therefore:-

24 It is respectfully submitted that the
25 unconstitutional Federal Income Tax Act and the Federal-
26 Provincial Fiscal Arrangements Act of 1961, which under
27 the said judgement of the Supreme Court of Canada are
28 Ultra Vires, and therefore illegal, be removed from the
29 Statute Books of Canada.

30

1 AND WHEREAS:-

2 The Parliament of Canada, under the powers given
3 it by Section 91, (14) (15) and (20) of the BRITISH
4 NORTH AMERICA ACT, may legally issue its own CREDIT: and
5 has no need to pay hundreds of millions of dollars
6 annually in interest for loans from private financial
7 sources, the payment of which necessitates unnecessarily
8 high taxation:-

9 Therefore:-

10 It is respectfully submitted that Parliament
11 avail itself of its powers to issue its own CREDIT,
12 instead of imposing Communist-inspired GRADUATED Income
13 Tax and other excessive taxation upon the Citizens of
14 Canada, to whom the Constitution belongs, in order to
15 raise a revenue.

16 AND WHEREAS:-

17 The GRADUATED Income Tax and other such
18 EXCESSIVE TAXATION is Communist-inspired, and for the
19 purpose of breaking down our Free Enterprise system,
20 so that it can be overcome by Communism:

21 Therefore:-

22 It is further respectfully submitted that those
23 persons who have been directly responsible for the
24 drafting, and those persons who have been directly
25 responsible for planning and carrying through the
26 enactment of the said Communist-inspired unconstitutional,
27 Ultra Vires, and therefore illegal legislation, by which
28 the Citizens of Canada have been illegally defrauded of
29 billions of dollars annually, be impeached for treason,
30 and tried accordingly.



Signed at DUNCAN in the Province of British Columbia
this 8th day of April, A.D. 1963.

F.H.M. Codville,

Lt. Col (Ret'd.)

Attached as Exhibit 'A' please find Extracts from the
Judgement of the Supreme Court of Canada in the case
of 'The Attorney-General of Nova Scotia versus The
Attorney-General of Canada' (as released on October 3rd,
1950,) taken from the official Law Report for 1951,
Cited as (1951) S.C.R.

The quotations from the judgement of the Supreme Court
of Canada, as quoted in the foregoing Brief, were
extracted from the Law Report in question.

Address:- Lieut. Col. F.H.M. Codville, M.C.,
R.M.D. 1,
DUNCAN, B.C.



EXHIBIT "A"

EXTRACTS From the Judgement of the Supreme Court of
Canada, in the case of 'The Attorney-General
of Nova Scotia versus The Attorney-General
of Canada,' as released on October 3rd, 1950,
and reported in Canada Law Reports, (1951)
S.C.R.

'The Parliament of Canada and each Provincial
Legislature is a sovereign body within its sphere,
possessed of exclusive jurisdiction to legislate with
regard to subject matters assigned to it under S.91 or
S.92, as the case may be. Neither is capable therefore
of delegating to the other the powers with which it
has been vested nor of receiving from the other the
powers with which the other has been vested.'

Chief Justice Rinfret states:-

"The Parliament of Canada and the Legislatures
of the several Provinces are sovereign within their
sphere defined by THE BRITISH NORTH AMERICA ACT, but
none of them has the unlimited capacity of an individual.
They can exercise only the legislative powers respectively
given to them by Sections 91 and 92 of the Act, and
these powers must be found in either of these sections."

"The Constitution of Canada does not belong
either to Parliament, or to the Legislatures: it belongs
to the Country, and it is there that the Citizens of
the Country will find the protection of the rights to
which they are entitled. It is part of that protection
that Parliament can legislate only on the subject matters

1 referred to it by Section 91 and that each Province can
2 legislate EXCLUSIVELY on the subject matters referred to
3 it by Section 92. The country is entitled to insist
4 that legislation adopted under Section 91 should be
5 passed exclusively by the Parliament of Canada in the
6 same way as the people of each Province are entitled to
7 insist that legislation concerning the matters enumerated
8 in Section 92 should come exclusively from their
9 respective Legislatures. In each case the Members
10 elected to Parliament or to the Legislatures are the
11 only ones entrusted with the power and the duty to
12 legislate concerning the subjects exclusively distributed
13 by the constitutional Act to each of them."

14 "No power of delegation is expressed either in
15 Section 91 or in Section 92, nor, indeed, is there to
16 be found the power of accepting delegation from one body
17 to the other: and I have no doubt that if it had been
18 the intention to give such powers it would have been
19 expressed in clear and unequivocal language. Under the
20 scheme of the BRITISH NORTH AMERICA ACT there were to be,
21 in the words of Lord Atkin in THE LABOUR CONVENTIONS
22 REFERENCE (1937) (A.C. 326) "Water-tight compartments
23 which are an essential part of the original structure.""

24 "Neither legislative bodies, Federal or Provincial
25 possess any portion of the powers respectively vested in
26 the other and they cannot receive it by delegation. In
27 that connection the word "EXCLUSIVELY" used both in
28 Section 91 and in Section 92 indicates a settled line
29 of demarcation and it does not belong to either Parliament,
30



1 or to the Legislatures, to confer powers upon the
2 other." (St. Catharines Milling Co. v. The Queen,
3 (1887) 13 Can. S.C.R. 577 at 637.) by Strong J.; C.P.R.
4 v. Notre Dame de Bonsecours Parish, (1889) A.C. 367.
5 Mr. Justice Kerwin states:-

6 "In CITIZEN'S INSURANCE CO. v. PARSONS (1880,
7 4 Can. S.C.R. 215,), by Taschereau J. at 317: "But the
8 Federal Parliament cannot AMEND the BRITISH NORTH AMERICA
9 ACT, nor give, either expressedly or impliedly to the
10 local legislatures, a power which the Imperial Act does
11 not give them. This is clear, and has always been held
12 in this court to be the Law," and by Gwynne J. at 348,"
13 and quotes Lefroy's CANADA'S FEDERAL SYSTEM, 1913,
14 page 70, note 10 (a):-

15 "Lord Watson:

16 "The Dominion cannot give jurisdiction or
17 leave jurisdiction, with the province. The provincial
18 parliament cannot give legislative jurisdiction to the
19 Dominion Parliament. If they have it, either one of the
20 other of them, they have it by virtue of the Act of 1867.
21 I think we must get rid of the idea that either one or
22 the other can enlarge the jurisdiction of the other or
23 surrender jurisdiction. To which Lord Davey adds: or
24 curtail."

25 "THE BRITISH NORTH AMERICA ACT divides
26 legislative jurisdiction between the Parliament of
27 Canada and the Legislatures of the Provinces and there
28 is no way in which these bodies may agree to a different
29 division."
30



1 Mr. Justice Taschereau states:-

2 "The BRITISH NORTH AMERICA ACT, 1867, and
3 amendments has defined the powers that are to be
4 exercised by the Dominion Parliament and the Legislatures
5 of the Provinces. There are fields where the Dominion
6 has exclusive jurisdiction, while others are reserved
7 to the Provinces. This division of powers has received
8 the sanction of the Imperial Parliament, which was then
9 and is still the sole competent authority to make any
10 alteration to its own laws.

11 "If Bill 136 were INTRA VIRES, the Dominion
12 Parliament could delegate to any or all the Provinces,
13 to legislate on commerce, banking, bankruptcy, militia
14 and Defence, issue of paper money, patents, copyrights,
15 indirect taxation, and all other matters enumerated in
16 Section 91; and on the other hand the Legislatures could
17 authorize the Dominion to pass laws in relation to
18 property and civil rights, municipal institutions,
19 education, etc. etc. all matters outside the jurisdiction
20 reserved to the Dominion Parliament. The powers of
21 Parliament and of the Legislatures strictly limited by
22 the B.N.A. Act, would thus be considerably enlarged, and
23 I have no doubt that this cannot be done, even with the
24 joint consent of Parliament and the Legislatures."

25 "It is a well settled proposition of law that
26 jurisdiction cannot be conferred by consent. None of
27 these bodies can be vested directly or indirectly with
28 powers which have been denied them by the B.N.A. Act,
29 and which therefore are not within their constitutional
30 jurisdiction."



1 In THE CITIZEN'S and the QUEEN INS. CO. v.
2 PARSONS, (1881, 4 Can. S.C.R. 215,) Mr. Justice
3 Taschereau expresses his views, at page 317, saying:-

4 "But the Federal Parliament cannot AMEND the
5 BRITISH NORTH AMERICA ACT, nor give, either expressly or
6 impliedly, to the local legislatures, a power which the
7 Imperial Act does not give them. This is clear, and
8 has always been held in this court to be the law."

9 And in the same case, at page 348, Mr. Justice
10 Gwynne also says:-

11 "How the species of legislation which appears
12 upon the statute books, upon the subject of insurance
13 and insurance companies, came to be recognized (by which
14 it would seem as if the Parliament and the Legislatures
15 had been attempting to make among themselves a partition
16 of jurisdiction, for which the B.N.A. Act gives no
17 warrant whatever), I confess it appears to me to be very
18 strange, for it surely cannot admit of a doubt that NO
19 ACT of the Dominion Parliament can give to the local
20 legislatures over any subject which, by the B.N.A. Act,
21 is placed exclusively under the control of Parliament,
22 and as the Parliament cannot by Act or acquiescence
23 transfer to the local legislatures any subject placed
24 by the B.N.A. Act under the exclusive control of
25 Parliament, so neither can it take from the local
26 legislatures any subject placed by the same authority
27 under their EXCLUSIVE control."

28 "Lefroy in "LEGISLATIVE POWER IN CANADA" at
29 page 242, expresses the view with which I agree, that
30



1 the Federal Parliament cannot AMEND the BRITISH NORTH
2 AMERICA ACT, nor either expressly or impliedly take
3 away from, or give to, the provincial Legislatures a
4 power which the Imperial Act does, or does not give them:
5 and he adds that the same is the case MUTATIS MUTANDIS
6 with the Provincial Legislatures. At page 689, the same
7 author adds that within the area and limits of subjects
8 mentioned in Section 92 of the BRITISH NORTH AMERICA ACT,
9 the Provincial Legislatures are supreme and have the
10 same authority as the Imperial Parliament or the
11 Dominion would have under like circumstances, to confide
12 to a municipal institution or body of its own creation,
13 authority to make by-laws or regulations as to subjects
14 specified in the enactment and with the object of
15 carrying the enactment into operation and effect. This
16 proposition rests upon the language and decision of the
17 Judicial Committee of the Privy Council in HODGE v.
18 THE QUEEN; cited supra."

19 Mr. Justice Kellock states:-

20 Under the statute the powers committed to
21 Parliament and to the Provincial Legislatures
22 respectively are, as already stated, EXCLUSIVE. If
23 therefore Parliament, for example, were to purport to
24 authorize a Provincial Legislature to exercise legislative
25 jurisdiction assigned exclusively to the former, any
26 exercise of such authority by the latter would in fact
27 be an attempt "to make laws" in relation to a matter
28 "assigned exclusively" to Parliament, and consequently
29 prohibited to the Provincial Legislature. In the same
30 way, if a Provincial Legislature purported to authorize



1 Parliament to legislate with respect to any of the
2 matters enumerated in Section 92, and Parliament
3 attempted to act upon such authorization, it would
4 similarly be attempting to "make laws" in relation to
5 a matter assigned exclusively to the Provinces."

6 "In the case of Caron v. The King, (1924, A.C.
7 999 at 1004,) Lord Phillimore, where, in referring to
8 taxation powers of Parliament and the provincial
9 legislatures respectively, his Lordship quoted from an
10 earlier judgement of the Committee in BANK OF TORONTO v.
11 LAMBE (1887, 12 App. Cas. 575) as follows:-

12 "Their Lordships adhere to that view, and hold
13 that, as regards direct taxation within the Province to
14 raise revenue for provincial purposes, that subject
15 falls wholly within the jurisdiction of the provincial
16 legislatures."

17 Mr. Justice Fauteaux states:-

18 "The true question is whether or not it is
19 within the competence of the Parliament of Canada and
20 within the competence of the Legislature of a province to
21 exchange between themselves or transfer to one another,
22 directly or indirectly, temporarily and from time to time,
23 a legislative authority they both possess only by virtue
24 of the BRITISH NORTH AMERICA ACT, 1867, (hereinafter
25 referred to as the Act) and which each, to the EXCLUSION
26 OF THE OTHER, can exercise only with respect to certain
27 classes of subjects."

28 "Speaking to the point, Lord Atkins, in Attorney
29 General for Canada v. Attorney General for Ontario,
30 (1937, A.C. 326 at 351,) said:-



1 "No one can doubt that this distribution (of
2 powers) is one of the most essential conditions, probably
3 the most essential condition, in the inter-provincial
4 compact to which the British North America Act gives
5 effect."

6 "The suggestion that this distribution of
7 legislative authority, enacted by the Imperial Parliament,
8 under the then "existing circumstances", could now be
9 altered by Parliament or the Legislature of a Province by
10 transfer, exchange, or delegation, is repugnant to the
11 very intent manifested in the above Resolutions ultimately
12 implemented under the Act."

13 "Assuming, however, that it could be a
14 delegation, there can be no doubt that the express terms
15 of Sections 91 and 92 and the necessary implication
16 flowing from the enactment of Section 94 prohibits such
17 delegation."

18 "While the two former Sections provide for a
19 distribution of legislative powers between Parliament
20 and the Legislatures of the provinces, they go further
21 and bar one from entering the legislative field assigned
22 to the other. This distribution, and the prohibition
23 which is a necessary corollary of it, constitute a
24 peculiar feature of the Act with respect to the right of
25 delegation and calls for different considerations in
26 applying it. Each of these legislative bodies, equally sov
27 sovereign within its own field, has the right to delegate
28 its legislative authority to a subordinate body, for, --
29 as was done under the War Measures Act -- generally the



1 right to delegate is tacitly included in the right to
2 legislate and, within one's own field, is not denied
3 under the Act. Beyond their respective spheres, both
4 Parliament and the Legislatures are powerless and each is
5 specially denied the legislative powers given to the
6 other. In these circumstances, I fail to see, firstly,
7 how in the absence of express terms, one could assume
8 the right to accept delegation, and, secondly, how one
9 could claim the right to make a delegation of powers to
10 one which, in express terms, is barred from exercising
11 them. Either one of these conclusions would justify the
12 statement that such right to delegate is excluded under
13 the Act, for delegation implies a delegator capable to
14 delegate and a delagatee capable to accept. Legislative
15 jurisdiction cannot be assumed or be given by consent.
16 Had it been the intention of the Imperial Parliament to
17 give one legislative body the right to delegate to the
18 other, the word "EXCLUSIVELY" in both Sections would
19 have been omitted. In the context, this word is without
20 object unless it is to debar one legislative body from
21 exercising any kind of legislative authority with
22 respect to matters within the jurisdiction of the other."
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ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

EXCERPT

point up the wealth the period is delivering to the selected few to divorce their control of the state. During a depression one must only point out that it ensued as a result of the avarice of a few and the general political incompetence of the national leaders.

The handling of economic propaganda is not properly the sphere of psychopolitics but the psychopolitician must understand economic measures and Communist goals connected with them.

The masses must at last come to believe that only excessive taxation of the rich can relieve them of the "burdensome leisure class" and can thus be brought to accept such a thing as INCOME TAX, a Marxist principle smoothly slid into Capitalistic framework in 1909 in the United States. This even though the basic law of the United States forbade it and even though Communism at that time had been active only a few years in America. Such success as the Income Tax law, had it been followed thoroughly, could have brought the United States and not Russia into the world scene as the first Communist nation. But the virility and good sense of the Russian peoples won. It may not be that the United States will become entirely Communist until past the middle of the century, but when it does it will be because of our superior understanding of economics and of psychopolitics.

The Communist agent skilled in economics has as his task the suborning of tax agencies and their personnel



1 to create the maximum disturbance and chaos and the
2 passing of laws adapted to our purposes and to him we
3 must leave this task. The psychopolitical operator plays
4 a distinctly different role in this drama.

5 The rich, the skilled in finance, the well
6 informed in government, are particular and individual
7 targets for the psychopolitician. His is the role of
8 taking off the board those individuals who would halt or
9 corrupt Communist economic programmes. Thus every rich
10 man, every statesman, every person well informed and
11 capable in government must have brought to his side as
12 a trusted confidant a psychopolitical operator.

13 The families of these persons are often
14 deranged from idleness and glut and this fact must be
15 played upon, even created. The normal health and wildness
16 of a rich man's son must be twisted and perverted and
17 explained into neurosis and then, assisted by a timely
18 administration of drugs or violence, turned into
19 criminality or insanity. This brings at once someone
20 in "mental healing" into confidential contact with the
21 family and from this point on the very most must be made
22 of that contact.

23 Communism could best succeed if at the side of
24 every rich or influential man there could be placed a
25 psychopolitical operator, an undoubted authority in the
26 field of "mental healing" who could then by his advice or
27 through the medium of a wife or daughter by his guided
28 opinions direct the optimum policy to embroil or upset
29 the economic policies of the country and, when the time
30



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TORONTO, ONTARIO

Excerpt - 3.

1 comes to do away forever with the rich or influential man,
2 to administer the proper drug or treatment to bring about
3 his complete demise in an institution as a patient or dead
4 as a suicide.
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SOCIAL SERVICE COMMITTEE

Convention of Baptist Churches of British Columbia

6238 Angus Drive
Vancouver 13, B.C.
June 29, 1963

ROYAL COMMISSION ON TAXATION
Box 466
Ottawa, Ontario.

Attention: Mr. G. L. Bennett, Secretary

Dear Sirs,

The Convention of Baptist Churches of British Columbia would request the Royal Commission on Taxation to recommend to the Government of Canada that Section 27 (2) of the Income Tax Act be deleted for the purpose of removing the inequalities, abuses and discriminations grounded therein.

We would ask that this request be included in the records of the hearings being held by the Commission in Vancouver on August 13th, 1963.

Enclosed please find a copy of the resolution on this matter, passed unanimously by the Convention, which met in Nanaimo on February 22nd, 1963.

Yours truly,

(Signed) R.F. Lane
Secretary
Social Service Committee
Convention of Baptist
Churches of British
Columbia.

enc.



SOCIAL SERVICE COMMITTEE

Convention of Baptist Churches of British Columbia

RESOLUTION ON INCOME TAX

Whereas Section 27 (2) of the Income Tax Act,
granting exemption from the tax to members of
religious orders who have taken the vow of perpetual
poverty, is a denial of complete equality of religion
to all Canadians without discrimination or preference.
And whereas the Royal Commission on Taxation appointed
by the Federal Government is meeting in Vancouver.

Be it resolved that this Convention instruct its
Christian Social Action Committee to present to
the Commission a brief urging that Section 27 (2)
of the Income Tax Act be deleted, for the purpose
of removing the inequalities, abuses and discrimina-
tions grounded therein.

The above resolution was passed unanimously
at the annual session of the Convention of Baptist
Churches of British Columbia, held at First Baptist
Church in Nanaimo on February 22nd, 1963.

ROYAL COMMISSION

ON

TAXATION

HEARINGS

HELD AT
VANCOUVER
B.C.

VOLUME No.:

DATE:

36A AUG. 14, 1963
BRIEF

OFFICIAL REPORTERS
ANGUS, STONEHOUSE & CO., LTD.
BOARD OF TRADE BLDG.
11 ADELAIDE ST., W.
TORONTO

364-5865 364-7383



1 REPRESENTATION SUBMITTED BY:

2 GEORGE J. SMITH,
3 6240 Overstone Drive,
4 West Vancouver, B.C.

5 SUMMARY

6 1. Building up the productivity of the Canadian
7 economy and raising the standard of living should be a
8 primary concern in reviewing Canada's taxation policies,
9 as should the encouragement of greater investment of
10 Canadian funds in industry. To accomplish these purposes
11 steps must be taken to divert a greater portion of
12 Canada's gross national expenditure from social capital
13 to industrial capital and establish a tax structure under
14 which both business and individual private citizens would
15 have more money available and be encouraged to make a
16 greater investment in Canadian enterprises.

17 2. Money taken from Canadian business through
18 taxation to pay the cost of government or to be invested
19 in social capital is spent once and does not usually
20 generate any cash return. The same money, however,
21 retained in the business community and invested in new
22 production, generates a new cash return of 50% per year
23 on the invested capital. Thus it will be seen that the
24 idea that government spending stimulates our economy
25 is an utter fallacy. The same money retained in the
26 business community and guided into new investment through
27 taxation policy, would be a far more lasting and effective
28 factor in our economy.

29 3. Business enterprises, including both management
30 and labour, are the sole sources of earning power for the



1 Canadian economy. The creative businessman, on the other
2 hand, is the major energizing force. Because across
3 Canada in turn requires an average of approximately
4 \$10,000.00 of investment per working employee (Ref. Gordon
5 Report on Canada's Economic Future) Creation of jobs
6 for our increasing population demands capital. There is
7 general belief that under the present tax structure we are
8 siphoning off so much money from business to be spent by
9 the Government for non-productive purposes that the nation
10 is not generating the capital required for an expanding
11 economy, with the result that we have had to rely unduly
12 upon foreign investors to provide growth capital. This
13 would be less serious were such foreign investment evenly
14 distributed among nationals of many countries rather than
15 predominantly those of one nation, bringing with it
16 foreign management, foreign business connections and
17 foreign based services, to the detriment of Canadians in
18 general.

19 4. As the sole source of earning power for the
20 Canadian economy, a robust and vital business community
21 is of major importance to all Canadians. It is important
22 also that this business community be truly Canadian, its
23 interests must be Canadian and it must possess no
24 divided loyalties between our economy and any other. To
25 ensure a high standard of living, high employment and
26 prosperity it will be necessary for us to retain control
27 of our own destiny and to ensure that business can obtain
28 Canadian Funds for Canadian business development.

29 5. Canada is in serious danger of falling into the
30 position of becoming a financial colony of United States.



1 Many people in Canada are concerned about this and realize
2 that financial colonialism is no more palatable than the
3 political colonialism from which we emerged over 100 years
4 ago. It is believed that our present plight has been
5 largely brought about by an unrealistic tax system. The
6 writer also believes that if our present serious situation
7 has been brought about by improper taxation it can, in
8 turn, be corrected by taxation designed to produce the
9 desired results.

10 6. Only those businesses controlled and managed
11 by Canadians should be considered as Canadian and taxation
12 should be planned that would encourage businesses operating
13 in Canada under foreign control to become Canadian.

14 7. Although no measures should be taken which
15 would discourage foreign investment in Canada, sale of
16 larger Canadian companies to foreign owners should be
17 discouraged and Canadian participation in ownership and
18 control of foreign companies' Canadian operations should
19 be stimulated.

20 8. Greater attention should be paid to practices
21 which create unintended hardship for individuals and
22 companies in payment of taxes. When it is clear that,
23 in levying income or corporation taxes, capital is being
24 withdrawn which, if left within the firm, would contribute
25 directly to capital expansion and the creation of new
26 employment, consideration should be given to means which
27 would enable the taxpayer to retain use of that capital,
28 or a large portion of it, through low cost loans. In the
29 long run this would increase the potential tax revenue and
30 do much to help growing profitable enterprises and create



1 employment.

2 9. Loans made to business in order to replace
3 money that has been paid out in taxes should be secured
4 by a debenture or similar charge against the business. The
5 Federal Government could then borrow money on the open
6 market against this collateral and, in turn, charge a
7 rate of interest to the borrower designed to pay for all
8 costs and give a slight profit. Interest to the borrower
9 should, in turn, bear an increasing rate of interest to
10 encourage either repayment of the loan or its replacement
11 with capital from private sources.

12 10. A more realistic definition of "profit" and
13 "depreciation" is required for tax purposes. Realistically,
14 profits are those monies which can be withdrawn from a
15 business without impairing its ability to carry on normal
16 productive improvement and take advantage of growth
17 opportunities. Cash profits of a kind that can be taken
18 out of a business without impairing it are normally
19 represented by dividends. Depreciation should provide
20 for funds to replace either worn out or obsolescent
21 equipment with a new and equivalent replacement. During
22 recent years the new equipment has always cost more than
23 its previous counterpart. Consequently the funds provided
24 by depreciation normally fall short and must be augmented
25 by borrowing. This type of depreciation is entirely
26 unrealistic and creates an unwarranted burden on the
27 productive portion of Canada's economy.

28 GENERAL STATEMENT

29
30 11. Taxes presently are drawing off capital that



1 could better be applied in industrial expansion, to
2 increase productivity and employment. This taxation
3 weakens businesses which must turn around and borrow money
4 to carry out expansion programs which could, and should,
5 have been financed out of earned surplus retained in the
6 business. This money must often be borrowed at very high
7 rates of interest and constitutes a serious additional
8 cost to a growing business.

9 12. At present businessmen must finance all expansion
10 and improvement of productivity from that portion of
11 income left after taxes or from borrowed money. This
12 constitutes, in either case, a heavy drain for a young
13 and growing business and as many businessmen have a low
14 return on their labour after the urgent requirements of
15 the business have been met they must eventually sell out
16 for a capital gain to convert their earnings to cash, often
17 to foreign investors.

18 13. No taxes, either Provincial or Federal, should
19 be allowed to raise the cost of capital goods required
20 for industrial use in Canada. Such taxes as the Provincial
21 Sales Tax (in British Columbia), Federal Sales Tax and
22 Federal Import Duty applied on capital goods required for
23 Canadian industry add not only to the cost of expansion
24 but to the cost of goods produced, thus lessening the
25 ability of domestic industry to compete not only in
26 foreign markets but also in the domestic market, against
27 imported goods. Such taxes are, in reality, taxes
28 imposed against accumulated capital and as such do great
29 harm as they actually consume the true seed of industry
30 and by so doing do great harm to our economy.



1 14. Tax concessions should be made to those
2 businesses which can prove both Canadian ownership (sixty
3 per cent or more of total investment capital) and Canadian
4 management control. This would encourage foreign
5 investors to convert a portion of their holdings into
6 Canadian participation. Retroactive bonuses could be
7 provided to such foreign-owned firms who converted owner-
8 ship and management control within a specific period of
9 time. Such firms would thereafter earn the same tax
10 concession rate as any wholly-owned Canadian firm, which
11 might result in the foreign investor receiving a yield
12 on his investment equally as good as before converting
13 a portion of his holding to Canadian ownership.

14 15. Tax situations, such as occasionally happen with
15 Estate Tax assessments, which result in forced sale of a
16 business or a controlling block of stock to effect settle-
17 ment, should be watched carefully to prevent the control
18 and management of a Canadian enterprise from falling into
19 foreign hands. In such instances provision should be made
20 for tax-payment extensions to allow the widest possible
21 offering of the business for sale to Canadian buyers, and
22 ensure the retention of Canadian control.

23 16. In such a case, consideration should be given
24 to allowing the taxpayer to pay the tax and having pro-
25 vision for its replacement through a Government loan of
26 up to 100 per cent of the tax, at the going Bank of Canada
27 interest rate, provided that there is competent management
28 and that they will carry on the business under Canadian
29 control. Such a loan should be secured by a debenture
30 and carry an increasing rate of interest to encourage its



1 replacement with private funds.

2 17. The period of time during which the Income Tax
3 Department can reassess the taxes on income should be
4 reduced from the present 4 years to a maximum of 1 year,
5 except where the Department is able to prove deliberate
6 evasion attempts before a Court. The present practice of
7 long deferred reassessments can work considerable hardship
8 upon a business when it finds itself reassessed several
9 years later and the cash has been used for other purposes.
10 Private businesses cannot re-open claims once accounts
11 have been settled and are able to conclude their accounts
12 and render charges quite promptly. There appears to be
13 no practical reason why the Income Tax Department could
14 not be equally efficient as private enterprise.

15 18. The onus should be on the Federal or any
16 Government to define the tax laws so that they can be
17 clearly understood and provide no room for ambiguity, and
18 the Income Tax Department should work strictly within the
19 Act as defined. If any reasonable doubt exists as to the
20 interpretation of the Act full costs of court proceedings
21 to define it should be borne by the Government and the
22 taxpayer involved should suffer a minimum of inconvenience.

23 19. During a dispute between the Income Tax Depart-
24 ment and a taxpayer the taxpayer should be able to go to
25 Court so long as he pays the undisputed portion of the tax
26 rather than, as presently required, the entire amount
27 claimed by the Department. Under the present circumstances
28 lack of liquid capital for such a deposit renders many
29 businesses completely powerless to fight the whims of the
30 Tax Department and must be virtually blackmailed into



1 accepting a deal that allows time payment. Such a situa-
2 tion means that you are considered guilty until you prove
3 yourself innocent, which is entirely contrary to British
4 justice.

5 20. Income taxes are supposed to be levied against
6 profits and as profits, in turn, are supposed to come
7 after all other charges have been met there would seem to
8 be no valid reason why income taxes should not be considered
9 other than as an ordinary charge against a business rather
10 than in the preferred position that they now hold. This
11 present position of the Department as a preferred creditor
12 makes financing difficult when taxes are owing and in
13 cases of bankruptcy works hardship on other businesses.
14 In cases of bankruptcy where there are not sufficient
15 funds to meet the requirements of all creditors the
16 preferred position of the Income Tax Department means that
17 the funds collected are in reality a levy against the
18 capital resources of the other creditors; creditors who
19 are carrying on legitimate business and doing their share
20 toward earning Canada's livelihood; creditors who in turn
21 are taxpayers and employers and for whom the Department
22 is supposed to be a public servant. This is all grossly
23 unfair and the writer believes that unpaid income taxes
24 should be considered as an ordinary charge rather than
25 hold the preferred position that they now enjoy.

26 21. In cases of reassessment of income the Department
27 automatically imposes upon the taxpayer a penalty plus
28 interest charges from the date of the first filing of his
29 tax form. The taxpayer must pay all of this before he can
30 lodge an appeal even though the reassessment is simply a



whim of an individual tax assessor. On the other hand, a taxpayer on overpaying his tax gets no interest from the Department for the use of the money which he has taken from his business. This is not equitable and indicates further instances of arbitrary action and lack of justice in dealings between the Tax Department and the taxpayer; it is about time such practices came to an end.

22. A more practical definition of "profit" and of depreciation is required for tax purposes as the present method can impair the capital position of a business. Standard accounting practices today produce a "profit" which may disregard realities, but is adopted for taxation purposes. The true profit of a business is that surplus of earned income which can be withdrawn from the business, generally in the form of dividends, without harm to its capital structure, without curtailing unreasonably its potential for expansion and job creation through natural growth.

23. Depreciation should be based upon the replacement value of the plant or equipment by its modern equivalent. In this way Canada's industrial plant would be able to apply new technology and equipment more readily, thus improving its competitive position and productivity. Retention of out-moded equipment then would be practised only when there was a virtue in its retention and not simply a necessity forced upon management by tax policies which presently discourage updating of equipment. For many years the same or equivalent equipment has almost always risen in price due to the influence of inflation and the cost of progressive



1 technical improvements. The taxpayer depreciates on the
2 basis of the older and lower priced equipment and after
3 it has been worn out he must replace it with a new
4 higher cost unit and make up the difference out of his
5 tax paid earnings or through borrowing.

6 24. Any business owned and controlled in Canada
7 should be able to borrow back from the government at
8 initially low interest rates which would accelerate each
9 year, a substantial portion or all of the taxes paid in
10 any one or more years, provided it could be demonstrated
11 that the firm's or individual businessman's activity had
12 been expanding at a considerable rate and that the
13 withdrawal of the tax payment from the firm's capital
14 would prevent necessary or desirable expansion. Such
15 borrowing should be made available through a commission
16 similar to the Industrial Development Bank.

17 25. Recognition must be given to the fact that some
18 businesses enjoy a cyclic profit pattern rather than a
19 consistent one. Where a business can demonstrate, simply,
20 that the profit during any given period is appreciably
21 out of line with profit in preceding years and during
22 the foreseeable future, provision should be made for
23 that business to average out its profit over the inter-
24 vening lean years. This revision should also be allowed
25 to be carried out on declared profits from past years
26 (say 5) so that unrealistically heavy taxes already paid
27 could be reclaimed for business purposes. The same
28 should be true for individuals such as professional
29 athletes who enjoy a relatively brief career. They, in
30 turn, should be allowed to average the earnings of their



1 highly productive years over their entire lifetime.

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Resptfully submitted,

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George J. Smith.

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1. BRIEF from:-

LINDSAY MODELS and METALCRAFTS,
LTD.,

Regd. Office - 2067 Kings Ave.,
WEST VANCOUVER,
B.C.
phone 922-2966

Studio-Workshop- 1627, Garden
Ave.,
NORTH VANCOUVER,
B.C.
phone 988-5751.

2. INCORPORATED:-

August 1958.

COMMENCED BUSINESS:- June 1959.

3. OBJECTS OF COMPANY:- (a) To make scale models for
sales promotion, display
and similar needs.

(b) To assist consulting
engineers in their
preparation of three-
dimensional studies.

4. REASON FOR THIS
SUBMISSION.

That, in our opinion, Sales
Tax of 11% applied to our
TIME by Department of Revenue
in item (b) above is erroneous.



1 5. FOREWORD.

2 There have been considerable engineering
3 advances in recent years. Our Western Canadian
4 primary industries are availing themselves,
5 for example, of new stainless steels to reduce
6 maintenance costs. Initial cost of plants is
7 much greater, and to curb this first overhead
8 the tendency is to design in more compact form.
9 Plants become more complex with the corollary that
10 engineering and engineering drawings are becoming
11 more complex. It is well known and, until recently,
12 accepted that impromptu and sometimes expensive
13 modifications will have to be made in the field
14 during construction because some design feature
15 has not been fully appreciated on the two- dimensional
16 blue-print.

17 6. MODERN ATTEMPT TO COMBAT PROBLEMS OF 5 ABOVE.

18 It was recognised in the U.S. shortly after
19 World War II that some complexities of plant design
20 could only be properly understood and resolved by
21 generating ideas in three dimensions. Some leading
22 U.S. design firms such as M. W. Kellogg Co., Fluor
23 Corporation, Bechtel and others established such a
24 broader approach to designing and developed a technique
25 of using standard scale pieces to represent different
26 items of machinery, piping and so on. These items
27 were differently coloured for identification and so
28 made that only a push fit was needed to fit them
29 together. This simple and rapid assembly method
30 enabled designers and draughtsmen to translate flow



6. sheets and design images to a form of drawing in three-dimensions. (I can give you a sixty seconds' demonstration of this and other processes on the table before you when we meet in Vancouver) from which can be illustrated, much more effectively, space, feasibility of construction, convenience of maintenance, etc. Not only are the efforts of mechanical, electrical, structural and other engineers better co-ordinated, but the owner himself is acquainted more realistically with the design. Several supply houses in the U.S. set up to meet the demand from engineering staffs for these aids with the result that engineering consultants can now do more efficient work on problems.

7. REPORT ON PRACTICAL EXPERIENCES OF 5 and 6.

In 1952 Imperial Chemical Industries in the U.K. made available to their design office model kits - a kind of specialised Meccano set - as an aid to their engineers. As a result of encouraging experiences the system was improved in 1956 and according to the assistant chief engineer, Mr. L. Marsden, "is now in wide use in all our design offices and works. It costs about 100 Pounds per set. These kits have made considerable savings in design effort." Quoting Mr. Marsden again "in all recent cases where piping models have been used there has been an overall saving of piping design costs of about 10% in addition to appreciable savings in time." Again, "one job involving a very complicated pipe bridge alteration would have



7. (Contd.)

been almost impossible to show changes on a drawing; a simple 20 Pounds model was prepared and the whole job completed from the model with no drawings whatever". This and more detailed and technical information was given by Mr. Marsden to the Mersey-side and North Wales Branch of the Chartered Mechanical Engineers of Great Britain.

In this same context it is worth recording that Mr. Michael Starr, Minister of Labour in 1962 called for greater efficiency in industry and through the Canadian National Productivity Council invited Mr. R. M. Currie, C.B.E., who is head of the the Central Work Study Department of Imperial Chemical Industries and President of the European Work Study Federation, to tell Canadians something of his - Mr. Currie's - achievements. Mr. Currie was able to tell Canadians that "Imperial Chemical Industries has, through work study and other means, increased productivity in the last fifteen years three times greater than that of Britain as a whole". Some of his other remarks in the same press interview are of equal significance to this brief. "Canada runs the risk of being left behind unless she adapts herself to world-wide markets". "By reducing human effort, capital --- we can increase employment". "It is common sense a little more highly developed and involves intense analysis of facts, not opinions or ideas sanctified by antiquity". In part, the three-dimensional design approach has contributed



7.(Cont.)

to his company's progress. Similar confirmation of cost cutting has been available from articles in American trade papers the past ten years.

8. LINDSAY MODELS APPROACH TO BRITISH COLUMBIA'S REQUIREMENTS.

Knowing that no company in Western Canada was large or diversified enough to justify installation of a separate department to handle these new ideas we incorporated in 1958 with the prime purpose of supplying the tripartite need of

- (a) a professional engineering background,
- (b) a practical journeyman's know-how, and
- (c) an inborn natural dexterity in handling miniatures.

Our services are supplied and paid for on an hourly basis. Material, usually of insignificant value, has been billed to consultant or owner at cost, or near cost, plus 11% Sales Tax. Three months after commencing in business we were retained by the Canadian subsidiary of a prominent American member of the pulp and paper industry to assist in design using the technique outlined in (6). Apparently this design system had been used effectively by the parent U.S. Company. Almost immediately following termination of that contract we were retained by two prominent B. C. concerns, with the result that we - a staff of four - worked almost steadily and exclusively for two years on pulp and paper expansion. Our total income for these services would be about \$25,000.



9. FEDERAL SALES TAX APPLICATION.

At this stage the Department of National Revenue ruled that all this work was subject to Federal Sales Tax. We have not done one cent worth of work for this industry since and have reduced staff to one assistant. Some of the comments from our clients don't look very well on paper but the inference is they are very reluctant to submit to horse and buggy legislation and think we - LINDSAY MODELS - might do well to succumb to the blandishments of American business men to transfer our abilities and progressive ideas to the U.S. Incidentally, we had already turned down a suggested contract with a U.S. model consultant which would have placed us in an agency position prohibiting our operating in Canada so that American staff could be imported to undertake the actual design services! While we, our legal advisers LadnerDowns Ladner Locke Clarke & Lenox, our accountants Winspear Hamilton Anderson & Co., our clients such as MacMillan Bloedel & Powell River, Celgar, etc., and numerous professional engineering-consultants all feel our work is "INTERPRETIVE" - a drawing in 3-D so to speak - and in no way creative, the Department of National Revenue say they are "lacking statutory or administrative authority to exempt design models from tax and find it necessary to advise you these GOODS (our capitals) are subject to tax". Quoted from letter 27.12.62, Mr. D. Sim, Deputy Minister of National Revenue. So all the time spent in consultation, assembling pieces,



9.(Contd.)

stripping down, re-assembling on trial and error,
stripping down ad lib, making amendments and
corrections and modifying design is taxable.
Following representations in April 1962, however,
we had elicited from the Department (their letter
4/6/62) a modification of their original stand, to
wit, that where the client supplied the material
our time would not be taxed. If we supplied the
material our time would be taxed. Shall we ask our
client to go into the store to make the purchases
while we hide surreptitiously round the corner? It
seems to us an official suggestion as to how to beat
the rap. If this comic situation were not enough
we have the ludicrous anomaly of clients' engineers
working beside us, their time being sales tax
exempt while the Department of Revenue insists that
our time must be surcharged 11%. This is legislation
going mad and killing Reason itself.

10. CONCLUSIONS.

Already new design processes are being invented
in England and Italy, using a model as the basic
requirement (with specialised camera and photogrammetry
equipment). It is not inconceivable that our laborious
drafting methods presently used will be subjects for
museums and history books. But even the first
progressive step in this emancipation is not recognised
in Canadian legislation. We have the impression that
it is useless to debate with the Department along
commonsense and business-like lines. There is



10. (contd.)

no concession to anything outside the hermetically sealed legislation on the statute book. Perhaps we should have said we were "consultants" as similar American concerns do but having used the word "model" appears. We hesitated to burden the Commission with our circumstances which must be small beside some of this country's other problems and inequalities, but surely it is time for one small man and his business to speak up against a kind of Mad Hatter's Tea Party doctrine. We reminded Mr. Sim of Disraeli's counsel "Legislation matters less than administration", but the answer, if we may be pardoned some bitterness, was in essence "you will understand it is my responsibility not to exceed the Department's lack of responsibility". Let us fervently hope that something will be done to implement that part of the speech from the throne, 16th May 1963, "To seek out with imagination new paths". Here is one instance where our tax legislation brings disrepute to those empowered to administer it. We welcome the chance to break out of the husk of impotence which surrounds most citizens in such situations and look forward to conversing with the distinguished members of the Commission.

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ANGUS STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

1 SUBMISSION TO
2 THE ROYAL COMMISSION ON TAXATION
3 FROM
4 THE BRITISH COLUMBIA HOTELS ASSOCIATION

5
6 INTRODUCTION

7 The British Columbia Hotels Association whose
8 offices are located at 948 Howe Street, Vancouver,
9 respectfully submits this brief to the Roayl Commission
10 on Taxation.

11 This Association represents approximately 95%
12 of the Hotels in this Province. Membership is voluntary
13 and the work of this Association is devoted to the
14 general welfare of the industry. It also devotes con-
15 siderable time and money to the promotion of tourism
16 within the Province. Our activities began in 1931.

17 Statistics released by the Liquor Control Board
18 of British Columbia indicate an expenditure over the
19 past five years of nearly fifty million dollars on
20 renovation and new hotel construction.



GENERAL TAX POLICY

- 1 - Flexible Formula for Economic Growth
- 2 - Protection from Unfair Competition
- 3 - Realistic Approach Concerning Expense Accounts
for Commercial Travellers as well as Convention
and Sales meetings
- 4 - Equipment Write-Off
- 5 - Budget Preparation



1 1. Flexible Formula for Economic Growth

2 Permit business to set aside a percentage of
3 their taxable income as an investment reserve. When
4 the Government wishes to bolster the economy, they could
5 permit the release of reserve funds for expansion and
6 renovation projects. This also has the effect of creating
7 more employment when it is needed. Such a plan would
8 also motivate an improved liaison between business and
9 government.

10 This plan is used with success in Sweden where
11 business can declare up to forty percent of their taxable
12 income as an investment reserve. If the government
13 wants to stimulate private investment, it notifies
14 business that they can get back their frozen funds,
15 provided they put up slightly more than half of the money
16 needed to finance particular investment projects. The
17 business may use matching funds out of their own invest-
18 ment reserve or borrow funds. This policy has tended to
19 eliminate recessive economic slumps which are a problem
20 in Canada.

21 Such a plan has special advantages to the Hotel
22 Industry. The more discriminating tastes of the travel-
23 ling public make it imperative that hotel properties
24 maintain all that is new in facilities and service.
25 What was acceptable to the public last year does not
26 always merit their acceptance this year. The front door
27 to the community - the Hotel - is the first to feel the
28 pressures of the rising revolution of expectations in
29 which we live.



1 The availability of such an investment reserve
2 for the hotel industry would help us equal the fine
3 facilities which are available in other countries of the
4 World. Fine facilities are a potent force in maintaining
5 a favourable balance of payments for Canada. Foreign
6 visitors to our country last year spent five hundred and
7 sixty million dollars. Full co-operation between the
8 Accommodation Industry and Governments could double
9 this figure in less than a decade.

10 2. Protection From Unfair Competition

11 Tax exempt establishments are brazenly adver-
12 tising for public patronage at luncheons, banquets,
13 dances and conferences; instead of limiting their
14 services to their own membership. These are:

15 (a) Private and Fraternal Clubs

16 (b) Veterans Clubs and Legions

17 The "non profit" aspect of their initial
18 intention or purpose has long since lost its true meaning.
19 Many actively solicit business from non members and are
20 thus able to provide new and expanding facilities in
21 competition with hotels whose tax burden makes it impos-
22 sible for them to compete. Clubs are even established
23 where the need is doubtful.

24 This unfair competition forces a hotel which
25 pays business, realty and income taxes to compete with a
26 club for group business. A growing source of revenue
27 for clubs is obtained by catering to the public, simply
28 because a member of the club, happens to be a member
29 of the outside group to whom they are catering.



1 Veterans clubs and legions are causing more and
2 more concern. Bingo, although illegal, is openly adver-
3 tised and outside membership is actively solicited. One
4 would anticipate that as we progress farther and farther
5 away from the last war that veterans clubs would tend
6 to diminish in numbers. The contrary, however, is the
7 case. The growth of new licensed clubs, established in
8 locations where heretofore there were none, goes on at
9 a steady pace.

10 We recommend that all non-profit, tax exempt
11 organizations, clubs and associations, should be
12 compelled to incorporate under the Companies Act. Such
13 a policy would make necessary the filing of a complete
14 financial statement which would show the state of surplus-
15 es and real property assets.

16 3. Realistic Approach Concerning Expense Accounts for
17 Commercial Travellers as well as Convention and
18 Sales Meetings.

19 Let us not tax our conventions and sales
20 meetings into impotence. Our nation has grown strong
21 because of our well-developed communications through
22 meetings and exhibits. Imagine the cost to the nation
23 if new developments in industry and the professions
24 could not be rapidly spread through our established
25 conventions and trade shows.

26 Conventions are not fun. Sales meetings are
27 not outings. They are hard serious events. They are
28 part of our economy - a part that has contributed to our
29 nation's economic strength.
30



1 Our Conventions, sales meetings and trade
2 shows make us different from the nations abroad. These
3 events reflect a difference in the way we do business,
4 educate ourselves and share our knowledge. Foreign
5 nations have not had the advantage of our type of
6 conventions and sales meetings. Only recently have they
7 adopted what has been a strengthening factor in our
8 economy. Let us not lose this advantage in the name of
9 tax reform!

10 4. Equipment Write-Off

11 The component parts of buildings, such as air
12 conditioning equipments, heating equipments, elevators
13 and escalators, are permitted a write-off allowance at
14 the same rate as that which applies to the structure
15 proper. Experience within the industry has shown that
16 this rate is not adequate. Such component parts as have
17 been described above should be permitted a class 8 write-
18 off of 20%. Similarly, it is suggested that expenditures
19 for carpeting in the accommodation industry be permitted
20 an allowance of 20% per annum on the straight line basis.

21 Tax legislation in such matters should be clearly
22 defined and subject to interpretation and adjudication
23 by the Courts.

24 5. Budget Preparation

25 The policy of utmost secrecy in budget
26 preparation is out of date. There is an apparent need
27 for greater discussion within the various government
28 departments. Consultation with important segments of
29 the business community could prove helpful in determining
30



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1 policy. Final conclusions reached by Government could
2 be kept secret where advance information would offer
3 unfair advantage.

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8 July, 1963

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SUBMISSION

by

G. MAXWELL BELL

830 10TH AVE. S. W.,

CALGARY, ALBERTA

to the

ROYAL COMMISSION ON TAXATION

February 13, 1963



February 13, 1963

SUBMISSION BY G. MAXWELL BELL, 830 10th Ave. S. W.,
Calgary, Alberta.

TO THE ROYAL COMMISSION ON TAXATION

1. Lack of definition in the Canadian Tax Act of 1949, as it applies to Personal Income Tax, creates inequities, and discourages the productive use of the resources and energies of our citizens.

2. The arbitrary attitude of the Department, because of the indefinite nature of the Tax Act, puts the tax payer in a most unfair position by making him seek the courts for decision, while interest continues on "Tax Arrears", and non-deductible court costs mount.

3. It is recommended that the issue of capital and income be more clearly defined, and that in so doing a capital increment tax be considered, and further, that if a matter of tax application requires court interpretation, at least pending the hearing, the levy of interest be suspended, and part of the tax payer's cost should be a charge against income.

4. The present policy discourages citizen participation, particularly in the natural resources development of Canada. In order to provide Canadians the same opportunity as foreigners, it is recommended that the tax laws be revised so that in the designated resource developments loss experiences can be charged against personal income.

5. The recent proposed legislation permitting additional write offs in the oil and gas industry, by



1 stating that any sales of such developments be classed
2 ad income, will further discourage individual participa-
3 tion in this resource development in Canada. Presently
4 the individual can not charge any of these costs against
5 his income, yet if the burden of development costs get
6 too great, or for any other reason the individual wishes
7 to dispose of such property, the realization must be
8 taken into income for tax purposes. This circumstance
9 widens the difference between foreigners and citizens,
10 in favour of foreigners, in the participation by Canadian
11 individuals in these resources.

12 6. It is recommended that a time test be consider-
13 ed as to what might constitute capital increment in this
14 activity by Canadian individuals.

15 7. It is observed that the tax collection
16 department employs the "rationale of cost" against
17 realization. The injustices are apparent. In the tests
18 of "adventure in the nature of trade", or intent, if
19 applied for instance to stock market transactions,
20 practically all gains would be taxable, but the department
21 admits that the clerical and other costs make it improvi-
22 dent. Yet the same tests applied to other circumstances
23 result in assessments. A capital gains tax would, to a
24 considerable degree, remove this inequity.

25 8. It is suggested that there be a reappraisal of
26 the sales tax, the elimination of most of the exemptions,
27 and an increase in rate with the remission of a similar
28 amount that this remission would yield, to the lower
29 income groups, and that this would provide an economic
30 benefit to the community.



1 9. Corporate taxation -- since the commission will
2 be inundated with statistics and opinions for revisions
3 of the Tax Act as applied to business, we would limit
4 our comments to the consideration of a more accelerated
5 depreciation in plant and equipment, with some amortiza-
6 tion provision for land costs, in order that capital may
7 be reclaimed as quickly as possible to provide greater
8 sources of domestically owned capital. Should subsequent
9 sale of any depreciated item result in gains above costs,
10 the present practice of calculating out the depreciation
11 previously allowed would preclude retainable profits at
12 the expense of taxation.

13 10. Some classifications of corporate business in
14 Canada would seem to get favorable tax treatment at the
15 expense of the rest of the business community. Included
16 here are co-ops, insurance companies, and commercial
17 banks. Insurance companies only pay income tax on profits
18 set aside for distribution. Thus, actuarial gains are
19 permitted to remain intact and are compounding interest
20 on what might be considered legitimate profit, upon which
21 tax should be paid. Similarly, commercial banks are
22 permitted hidden reserves, which Mr. Fleming in his budget
23 speech of last spring stated was six percent. If this
24 is so, commercial banks are permitted reserves beyond
25 the norm which enjoy the benefits of producing interest,
26 and taxable only to the extent these reserves generate
27 interest. Thus, these businesses are permitted non-
28 taxable allowances, thereby creating a discriminatory
29 tax burden on the rest of the business community.

30 11. To be somewhat more precise concerning some of



1 the considerations and acknowledging the necessity for
2 income, the effect of a capital gains tax, or speculative
3 gains tax as it is defined in the U.K., might yield \$25
4 million. A capital gains tax in the U.S. in 1960
5 produced approximately one billion dollars. It has been
6 stated that if the rate were reduced to ten percent, it
7 might produce as much as five billion dollars.

8 12. The department contends that the cost of
9 collection would far exceed any realization. This is
10 hard to believe when one observes the tremendous
11 organization the department has at its command.

12 13. If the sales tax were increased twenty percent,
13 it would appear that approximately \$200 million would be
14 produced. This would permit the elimination of some one
15 and a half million income tax payers and still produce
16 enough surplus to substantially reduce the rates of tax
17 in the extreme upper brackets. The \$160 million thus
18 saved by the lower income groups would immediately go into
19 the consumer goods part of the economy, sales tax would
20 be realized, and some stimulus in the consumer goods
21 market could be anticipated. The relief in the upper
22 income ranges would, to a considerable extent, go into
23 the capital field, or natural resources development.

24 14. An earlier commission expressed the view that
25 increased sales tax would have a debilitating effect on
26 the economy. The \$200 million spread over the approxi-
27 mate \$30 billion of wages, would hardly constitute a
28 serious obstacle to the consumer spending area of the
29 economy. The departmental relief from attending to over
30 one and a half million tax payers could be directed to



1 operational savings and collection of the capital gains
2 levy suggested above.
3 15. As one who has had some experience in applying
4 personal resources toward developments in Canada, and
5 having associated with others in similar pursuits, let
6 me say that the arbitrary attitude of the department
7 resulting from lack of definition in the Act, and
8 permitting other interpretation than that generally held
9 by the accounting and legal professions, is undoubtedly
10 holding back a great Canadian potential in the domestic
11 development of many Canadian resources.



C O P Y

March 12, 1963
2203 Queens Ave.,
Sidney, B.C.

The Chairman,
Royal Commission on Taxation.

Dear Sir,

As a result of a divorce action, I support
two children who are now residing with their
mother in the United States.

I send \$84.00 each month for the maintenance
of these children.

As a result of a 15% Non Resident Tax on
exported money by the Federal Government, this
sum is reduced by \$12.06 before it is transferred.

There is of course a further reduction of
8% on this amount, being the premium on our
devalued dollar.

This reduces the maintenance a further
\$5.75 approximately.

Therefore an outlay of \$84.00 by me, for
the welfare of my children, amounts to about
\$65.65 benefit to them. It appears quite
unjust to me, when the portion of my wages that
are earned for the maintenance of my children
is penalized to the sum of 23%.

If the prime concern of the Supreme Court
is to ensure justice and well being for children
under divorce circumstances, and rightly so.

Why then, may I ask, is this feature of
no concern to the Department of Taxation?



1 They are in fact, taking unfair advantage
2 of anyone who endeavours to be a responsible parent.

3 While nothing can be done at present about
4 the 8% exchange, I feel that something should very
5 definitely be done about this 15% Non Resident
6 Tax, when money is exported solely for the
7 purpose of child maintenance.

8 I strongly recommend to you, that money for
9 the support of children only, should not be
10 subjected to this 15% Tax, and sincerely hope
11 that you will also concur.

12 Yours Truly,

13
14 Norman L. Hicks.
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